



TOWN OF GORDONSVILLE, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015

TOWN OF GORDONSVILLE, VIRGINIA

Annual Financial Report
For the Year Ended June 30, 2015

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TOWN OF GORDONSVILLE, VIRGINIA

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For the Year Ended June 30, 2015

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TOWN OF GORDONSVILLE, VIRGINIA

Town Council

Robert K. Coiner, Mayor

Emily Winkey, Vice Mayor

Peter Zahn

James Bradley

Chris Colby

Officials

Deborah S. Kendall, Town Manager

Angela Scolforo, Town Attorney

Tabitha Carpenter, Town Treasurer

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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, 2015, 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, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 17 to the financial statements, in 2015, the Town adopted new accounting guidance, GASB Statement Nos. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. 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 funding on pages 53 and 54-57 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 pension funding 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.

Other 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 and schedule of expenditures of federal awards are fairly stated in all material respects in relation to the 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 March 25, 2016, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Gordonsville, Virginia's internal control over financial reporting and compliance.

Robinson, Farver, Cox Associates
Charlottesville, Virginia
March 25, 2016

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Basic Financial Statements

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Government-wide Financial Statements

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Statement of Net Position
June 30, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 706,948	\$ 1,096,042	\$ 1,802,990
Certificate of deposit	400,000	-	400,000
Receivables, net of allowance for uncollectibles:			
Taxes receivable	100,475	-	100,475
Accounts receivable	35,412	88,175	123,587
Due from other governmental units	136,705	-	136,705
Prepaid items	1,100	-	1,100
Restricted assets:			
Cash held for customer deposits	-	31,182	31,182
Capital assets, net of accumulated depreciation:			
Land	184,749	31,833	216,582
Construction in progress	1,039,032	5,484	1,044,516
Land improvements	32,610	-	32,610
Buildings, systems, and improvements	507,939	1,762,806	2,270,745
Infrastructure	303,869	-	303,869
Machinery, equipment and vehicles	111,996	135,851	247,847
Total assets	<u>\$ 3,560,835</u>	<u>\$ 3,151,373</u>	<u>\$ 6,712,208</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension contributions subsequent to measurement date	\$ 39,565	\$ 9,875	\$ 49,440
LIABILITIES			
Accounts payable	\$ 30,142	\$ 3,479	\$ 33,621
Contracts payable	117,792	-	117,792
Accrued liabilities	57,203	10,373	67,576
Retainage payable	34,233	-	34,233
Customers' deposits payable from restricted assets	-	31,182	31,182
Accrued interest payable	4,349	3,709	8,058
Unearned revenue	210,130	-	210,130
Long-term liabilities:			
Due within one year	63,894	52,053	115,947
Due in more than one year	997,890	333,764	1,331,654
Total liabilities	<u>\$ 1,515,633</u>	<u>\$ 434,560</u>	<u>\$ 1,950,193</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property taxes	\$ 54,931	\$ -	\$ 54,931
Items related to measurement of net pension liability	57,394	3,231	60,625
Total deferred inflows of resources	<u>\$ 112,325</u>	<u>\$ 3,231</u>	<u>\$ 115,556</u>
NET POSITION			
Net investment in capital assets	\$ 1,035,713	\$ 1,559,587	\$ 2,595,300
Restricted:			
Pool improvements and activities	51,355	-	51,355
Law enforcement	5,503	-	5,503
Unrestricted	879,871	1,163,870	2,043,741
Total net position	<u>\$ 1,972,442</u>	<u>\$ 2,723,457</u>	<u>\$ 4,695,899</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, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 397,420	\$ 760	\$ -	\$ -
Public safety	564,792	231,059	47,548	-
Public works	359,530	-	3,885	1,614
Health and welfare	4,062	-	-	-
Parks, recreation, and cultural	86,486	24,074	-	564,191
Community development	1,300	-	-	-
Interest on long-term debt	23,655	-	-	-
Total governmental activities	<u>\$ 1,437,245</u>	<u>\$ 255,893</u>	<u>\$ 51,433</u>	<u>\$ 565,805</u>
Business-type activities:				
Water and Sewer Fund	\$ 978,766	\$ 1,014,344	\$ -	\$ 10,000
Total business-type activities	<u>\$ 978,766</u>	<u>\$ 1,014,344</u>	<u>\$ -</u>	<u>\$ 10,000</u>
Total primary government	<u><u>\$ 2,416,011</u></u>	<u><u>\$ 1,270,237</u></u>	<u><u>\$ 51,433</u></u>	<u><u>\$ 575,805</u></u>

General revenues:

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

Total general revenues

Change in net position

Net position - beginning - as restated

Net position - ending

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (396,660)		\$ (396,660)
(286,185)		(286,185)
(354,031)		(354,031)
(4,062)		(4,062)
501,779		501,779
(1,300)		(1,300)
(23,655)		(23,655)
<u>\$ (564,114)</u>		<u>\$ (564,114)</u>
	\$ 45,578	\$ 45,578
	<u>\$ 45,578</u>	<u>\$ 45,578</u>
<u>\$ (564,114)</u>	<u>\$ 45,578</u>	<u>\$ (518,536)</u>
\$ 196,847	\$ -	\$ 196,847
85,423	-	85,423
29,307	-	29,307
104,273	-	104,273
317,951	-	317,951
40,761	-	40,761
363,038	51,573	414,611
10,825	-	10,825
68,874	-	68,874
<u>\$ 1,217,299</u>	<u>\$ 51,573</u>	<u>\$ 1,268,872</u>
\$ 653,185	\$ 97,151	\$ 750,336
1,319,257	2,626,306	3,945,563
<u>\$ 1,972,442</u>	<u>\$ 2,723,457</u>	<u>\$ 4,695,899</u>

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Fund Financial Statements

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Balance Sheet
 Governmental Funds
 June 30, 2015

	General Fund	Pool Fund	Total
ASSETS			
Cash and cash equivalents	\$ 643,693	\$ 63,255	\$ 706,948
Certificate of deposit	400,000	-	400,000
Receivables, net of allowance for uncollectibles			
Taxes receivable	100,475	-	100,475
Accounts receivable	34,847	565	35,412
Due from other governmental units	136,705	-	136,705
Prepaid items	1,100	-	1,100
Total assets	<u>\$ 1,316,820</u>	<u>\$ 63,820</u>	<u>\$ 1,380,640</u>
LIABILITIES			
Accounts payable	\$ 27,505	\$ 2,637	\$ 30,142
Contracts payable	117,792	-	117,792
Accrued liabilities	52,643	4,560	57,203
Retainage payable	34,233	-	34,233
Unearned revenue	210,130	-	210,130
Total liabilities	<u>\$ 442,303</u>	<u>\$ 7,197</u>	<u>\$ 449,500</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	\$ 103,525	\$ -	\$ 103,525
FUND BALANCES			
Nonspendable:			
Prepays	\$ 1,100	\$ -	\$ 1,100
Restricted:			
Pool capital donations	-	49,023	49,023
Learn to swim scholarship	-	1,542	1,542
Pool pass donations	-	790	790
Law enforcement	5,503	-	5,503
Committed:			
East Street project	22,000	-	22,000
Water tank	22,052	-	22,052
Holladay	24,000	-	24,000
Streetscape project	2,052	-	2,052
Public works facility	7,641	-	7,641
Assigned:			
Pool	-	5,268	5,268
Unassigned	686,644	-	686,644
Total fund balances	<u>\$ 770,992</u>	<u>\$ 56,623</u>	<u>\$ 827,615</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,316,820</u>	<u>\$ 63,820</u>	<u>\$ 1,380,640</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, 2015

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds \$ 827,615

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

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	\$	184,749	
Construction in Progress		1,039,032	
Land improvements		32,610	
Buildings and improvements		507,939	
Infrastructure		303,869	
Machinery, equipment and vehicles		111,996	2,180,195

Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.

Unavailable revenue related to property taxes 48,594

Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year, and therefore, are not reported in the funds.

39,565

Items related to measurement of the net pension liability are considered deferred inflows and will be amortized and recognized in pension expense over future years.

(57,394)

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

Bonds	\$	(967,227)	
Capital leases		(25,230)	
Compensated absences		(51,966)	
Net pension liability		(17,361)	
Accrued interest payable		(4,349)	(1,066,133)

Net position of governmental activities \$ 1,972,442

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, 2015

	General Fund	Pool Fund	Total
REVENUES			
General property taxes	\$ 189,270	\$ -	\$ 189,270
Other local taxes	577,715	-	577,715
Permits, privilege fees, and regulatory licenses	760	-	760
Fines and forfeitures	231,059	-	231,059
Revenue from the use of money and property	363,038	-	363,038
Charges for services	-	24,074	24,074
Miscellaneous	6,174	4,651	10,825
Intergovernmental:			
Commonwealth	121,921	-	121,921
Federal	564,191	-	564,191
Total revenues	<u>\$ 2,054,128</u>	<u>\$ 28,725</u>	<u>\$ 2,082,853</u>
EXPENDITURES			
Current:			
General government administration	\$ 383,596	\$ -	\$ 383,596
Public safety	569,559	-	569,559
Public works	378,126	-	378,126
Health and welfare	4,062	-	4,062
Parks, recreation, and cultural	37,153	43,688	80,841
Community development	1,300	-	1,300
Capital projects	758,621	-	758,621
Debt service:			
Principal retirement	379,686	-	379,686
Interest and other fiscal charges	23,754	-	23,754
Issuance costs	7,750	-	7,750
Total expenditures	<u>\$ 2,543,607</u>	<u>\$ 43,688</u>	<u>\$ 2,587,295</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (489,479)</u>	<u>\$ (14,963)</u>	<u>\$ (504,442)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ -	\$ 21,786	\$ 21,786
Transfers out	(21,786)	-	(21,786)
Issuance of bonds	875,000	-	875,000
Total other financing sources (uses)	<u>\$ 853,214</u>	<u>\$ 21,786</u>	<u>\$ 875,000</u>
Net change in fund balances	\$ 363,735	\$ 6,823	\$ 370,558
Fund balances - beginning	407,257	49,800	457,057
Fund balances - ending	<u>\$ 770,992</u>	<u>\$ 56,623</u>	<u>\$ 827,615</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, 2015

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

Net change in fund balances - total governmental funds		\$	370,558
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	\$	817,629	
Depreciation		<u>(73,436)</u>	744,193
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.			
			7,577
The change in deferred inflows related to the measurement of the net pension liability is not reported in governmental funds.			
			(57,394)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.			
Issuance of debt	\$	(875,000)	
Payment of principal		379,687	
Amortization of premium on issuance		<u>8,951</u>	(486,362)
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	\$	1,982	
Net pension liability		78,702	
Deferred outflows - pension contributions subsequent to measurement date		(4,969)	
Accrued interest payable		<u>(1,102)</u>	<u>74,613</u>
Change in net position of governmental activities		\$	<u>653,185</u>

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

Statement of Net Position
Proprietary Fund
June 30, 2015

	<u>Enterprise Fund</u>
	<u>Water and Sewer Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,096,042
Accounts receivable, net of allowance for uncollectibles	88,175
Total current assets	<u>\$ 1,184,217</u>
Noncurrent assets:	
Restricted assets:	
Cash held for customer deposits	\$ 31,182
Capital assets:	
Land	31,833
Construction in progress	5,484
Buildings and systems, net of accumulated depreciation	1,762,806
Machinery and equipment, net of accumulated depreciation	135,851
Total capital assets	<u>\$ 1,935,974</u>
Total noncurrent assets	<u>\$ 1,967,156</u>
Total assets	<u>\$ 3,151,373</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension contributions subsequent to measurement date	<u>\$ 9,875</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 3,479
Accrued liabilities	10,373
Customers' deposits payable from restricted assets	31,182
Accrued interest payable	3,709
Compensated absences - current portion	540
Bonds payable - current portion	41,309
Capital lease - current portion	10,204
Total current liabilities	<u>\$ 100,796</u>
Noncurrent liabilities:	
Compensated absences - net of current portion	\$ 4,856
Bonds payable - net of current portion	309,848
Capital lease - net of current portion	15,026
Net pension liability	4,034
Total noncurrent liabilities	<u>\$ 333,764</u>
Total liabilities	<u>\$ 434,560</u>
DEFERRED INFLOWS OF RESOURCES	
Items related to measurement of net pension liability	<u>\$ 3,231</u>
NET POSITION	
Net investment in capital assets	\$ 1,559,587
Unrestricted	1,163,870
Total net position	<u>\$ 2,723,457</u>

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

Statement of Revenues, Expenses, and Changes in Net Position
 Proprietary Fund
 For the Year Ended June 30, 2015

	<u>Enterprise Fund</u>
	<u>Water and Sewer Fund</u>
OPERATING REVENUES	
Charges for services:	
Water revenues	\$ 686,879
Sewer revenues	316,591
Delinquent fees	6,400
Cut on fees	2,160
Miscellaneous	2,314
Total operating revenues	<u>\$ 1,014,344</u>
OPERATING EXPENSES	
Water and water tests	\$ 322,229
Sewer	207,906
Salaries, wages, and benefits	194,985
Repairs and maintenance	52,846
Materials and supplies	10,473
Depreciation	117,971
Other operating expenses	62,372
Total operating expenses	<u>\$ 968,782</u>
Operating income (loss)	<u>\$ 45,562</u>
NONOPERATING REVENUES (EXPENSES)	
Use of Property	\$ 51,573
Interest expense	(9,984)
Total nonoperating revenues (expenses)	<u>\$ 41,589</u>
Income before capital contributions	\$ 87,151
Capital contributions	10,000
Change in net position	<u>\$ 97,151</u>
Total net position - beginning, as restated	<u>2,626,306</u>
Total net position - ending	<u><u>\$ 2,723,457</u></u>

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

Statement of Cash Flows
 Proprietary Fund
 For the Year Ended June 30, 2015

	<u>Enterprise Fund</u>
	<u>Water and Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 1,042,347
Payments to suppliers	(659,905)
Payments to employees	(199,600)
Net cash provided by (used for) operating activities	<u>\$ 182,842</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Use of Property	\$ 51,573
Net cash provided by (used for) noncapital financing activities	<u>\$ 51,573</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Additions to CIP and machinery and equipment	\$ (35,325)
Principal payments on bonds	(34,500)
Principal payments on capital lease	(14,042)
Contributions in aid of construction	10,000
Interest payments	(16,671)
Net cash provided by (used for) capital and related financing activities	<u>\$ (90,538)</u>
Net increase (decrease) in cash and cash equivalents	\$ 143,877
Cash and cash equivalents - beginning (including restricted)	983,347
Cash and cash equivalents - ending (including restricted)	<u>\$ 1,127,224</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ 45,562
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation expense	\$ 117,971
Pension contributions subsequent to measurement date	(9,875)
Pension expense per GASB 68 calculation	8,764
(Increase) decrease in accounts receivable	23,820
(Increase) decrease in intergovernmental receivables	2,275
Increase (decrease) in customer deposits	1,908
Increase (decrease) in accounts payable	(4,079)
Increase (decrease) in accrued liabilities	(2,727)
Increase (decrease) in compensated absences	(777)
Total adjustments	<u>\$ 137,280</u>
Net cash provided by (used for) operating activities	<u>\$ 182,842</u>

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

Statement of Fiduciary Net Position
 Fiduciary Funds
 June 30, 2015

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ 416,178
Investments, at fair value:	
Corporate stocks	29,271
Total assets	<u>\$ 445,449</u>
LIABILITIES	
Amounts held for Maplewood Cemetery	\$ 445,449
Total liabilities	<u>\$ 445,449</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, 2015

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, street lights, 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, so it is reported as an agency fund of the Town. 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.

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

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

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

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

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

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

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

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

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

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.

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

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

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

The following is a brief description of the specific funds used by the Town in FY 2015.

1. *Governmental Funds:*

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

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

2. *Proprietary Funds:*

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

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 fund consists of the Water and Sewer Fund.

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 Agency 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 agency 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.

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

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

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

D. Budgets and Budgetary Accounting

The Town Council annually adopts budgets for the general and water and sewer 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 function 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 and Water and Sewer Fund.
6. The budgets for the General Fund and Water and Sewer Fund 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, 2015.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

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

E. Expenditures and Appropriations

Expenditures did not exceed appropriations in any fund at June 30, 2015.

F. Cash Equivalents

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

G. Investments

The Town's investments at June 30, 2015 consisted of amounts invested in the Local Government Investment Pool, a 60 month certificate of deposit, and the balance of a construction escrow account, which are reported at fair value.

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 \$21,685 and \$36,668, respectively at June 30, 2015.

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 fair market 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

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

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. The Town only has one item that qualifies for reporting in this category. It is comprised of certain items related to the measurement of the net pension liability. It is comprised of contributions to the pension plan made during the current year and subsequent to the net pension liability measurement date, which will be recognized as a reduction of the net pension liability next fiscal year. For more detailed information on this item, reference the pension note.

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 item 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 are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on pension plan investments. For more detailed information on these items, reference the pension note.

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. 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.

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

N. Long-Term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental 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.

O. 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.

P. Net Position

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

Q. Net Position Flow Assumption

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

R. Fund Equity

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);

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

R. Fund Equity: (Continued)

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

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

Town 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. 72, *Fair Value Measurement and Application*, amends the definitions of fair value used throughout GASB literature to be consistent with the definition and principles provided in FASB Accounting Standards Codification Topic 820, *Fair Value Measurement*. This Statement provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. No formal study or estimate of the impact of this standard has been performed.

Statement No. 77, *Tax Abatement Disclosures*, will increase the disclosure of tax abatement agreements to disclose information about the agreements. The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. No formal study or estimate of the impact of this standard has been performed.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

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 and certain corporate notes, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP).

Custodial Credit Risk (Investments)

The Town's investments at June 30, 2015 were held in the Town's name by the Town's custodial bank.

Credit Risk of Debt Securities

The Town has no investment policy.

The Town's rated debt investments as of June 30, 2015 were rated by Standard & Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard & Poor's rating scale.

	<u>Rated Debt Investments</u>		<u>Fair Quality Ratings</u>	
			<u>AAAm</u>	<u>Unrated</u>
Local Government Investment Pool	\$	786,273	\$	-
Money market mutual funds		-		2,052
Total	\$	<u>786,273</u>	\$	<u>2,052</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 maintains a policy to operate in a manner consistent with SEC Rule 2a-7.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 3—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 2015 were \$.10 and \$.99 per \$100 of real estate and personal property assessed valuation, respectively.

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

NOTE 4—ACCOUNTS RECEIVABLE:

Accounts receivable are detailed as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Property taxes	\$ 122,160	\$ -
Meals taxes	31,902	-
Consumer utility taxes	2,001	-
Consumption taxes	366	-
Other	1,143	124,843
	<hr/>	<hr/>
Total	\$ 157,572	\$ 124,843
Allowance for uncollectibles	(21,685)	(36,668)
	<hr/>	<hr/>
Net receivables	\$ 135,887	\$ 88,175
	<hr/> <hr/>	<hr/> <hr/>

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 5—DUE FROM OTHER GOVERNMENTAL UNITS:

Amounts due from other governments are detailed as follows:

	<u>Governmental Activities</u>
Commonwealth of Virginia:	
Communication tax	\$ 4,985
TEA-21 streetscape grant	100,314
Other	1,108
County of Orange, Virginia:	
Local sales taxes	<u>14,577</u>
Circuit Court of Orange County, Virginia:	
Court fines	<u>15,721</u>
Total	<u>\$ 136,705</u>

NOTE 6—INTERFUND ACTIVITY:

Details of interfund activity as of June 30, 2015 are as follows:

Transfers To/From Other Funds:

Transfers to the Pool Fund from the General Fund to cover
operations and restricted assets.

\$ 21,786

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 7—CAPITAL ASSETS:

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

	<u>Balance July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2015</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 184,749	\$ -	\$ -	\$ 184,749
Construction in progress	<u>256,646</u>	<u>782,386</u>	<u>-</u>	<u>1,039,032</u>
Total capital assets not being depreciated	<u>\$ 441,395</u>	<u>\$ 782,386</u>	<u>\$ -</u>	<u>\$ 1,223,781</u>
Other capital assets:				
Land improvements	\$ 134,928	\$ -	\$ 13,196	\$ 121,732
Buildings and improvements	926,321	16,035	19,321	923,035
Infrastructure	552,119	-	124,885	427,234
Intangibles	42,349	-	42,349	-
Machinery, equipment and vehicles	<u>742,844</u>	<u>19,208</u>	<u>481,654</u>	<u>280,398</u>
Total other capital assets	<u>\$ 2,398,561</u>	<u>\$ 35,243</u>	<u>\$ 681,405</u>	<u>\$ 1,752,399</u>
Accumulated depreciation:				
Land improvements	\$ 98,198	\$ 4,120	\$ 13,196	\$ 89,122
Buildings and improvements	410,035	24,382	19,321	415,096
Infrastructure	237,569	10,681	124,885	123,365
Intangibles	42,349	-	42,349	-
Machinery, equipment and vehicles	<u>615,803</u>	<u>34,253</u>	<u>481,654</u>	<u>168,402</u>
Total accumulated depreciation	<u>\$ 1,403,954</u>	<u>\$ 73,436</u>	<u>\$ 681,405</u>	<u>\$ 795,985</u>
Other capital assets, net	<u>\$ 994,607</u>	<u>\$ (38,193)</u>	<u>\$ -</u>	<u>\$ 956,414</u>
Net capital assets	<u>\$ 1,436,002</u>	<u>\$ 744,193</u>	<u>\$ -</u>	<u>\$ 2,180,195</u>
Depreciation is allocated to:				
General government administration		\$ 28,780		
Public safety		10,992		
Public works		28,019		
Parks, Recreation, and Cultural		<u>5,645</u>		
Total		<u>\$ 73,436</u>		

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 7—CAPITAL ASSETS: (CONTINUED)

Business-type Activities:	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Capital assets not being depreciated:				
Land	\$ 31,833	\$ -	\$ -	\$ 31,833
Construction in progress	13,804	5,484	13,804	5,484
Total capital assets not being depreciated	<u>\$ 45,637</u>	<u>\$ 5,484</u>	<u>\$ 13,804</u>	<u>\$ 37,317</u>
Other capital assets:				
Buildings and systems	\$ 3,685,615	\$ 32,647	\$ 200,696	\$ 3,517,566
Machinery and Equipment	320,975	10,998	63,621	268,352
Total other capital assets	<u>\$ 4,006,590</u>	<u>\$ 43,645</u>	<u>\$ 264,317</u>	<u>\$ 3,785,918</u>
Accumulated depreciation:				
Buildings and systems	\$ 1,868,645	\$ 86,811	\$ 200,696	\$ 1,754,760
Machinery and Equipment	164,962	31,160	63,621	132,501
Total accumulated depreciation	<u>\$ 2,033,607</u>	<u>\$ 117,971</u>	<u>\$ 264,317</u>	<u>\$ 1,887,261</u>
Other capital assets, net	<u>\$ 1,972,983</u>	<u>\$ (74,326)</u>	<u>\$ -</u>	<u>\$ 1,898,657</u>
Net capital assets	<u>\$ 2,018,620</u>	<u>\$ (68,842)</u>	<u>\$ 13,804</u>	<u>\$ 1,935,974</u>
Depreciation is allocated to:				
Water and sewer operations		<u>\$ 117,971</u>		

NOTE 8—COMPENSATED ABSENCES:

In accordance with GASB Statement 16, *Accounting for Compensated Absences*, the Town has accrued the liability arising from outstanding compensated absences. Town employees earn vacation and sick leave based upon length of service. The Town has outstanding accrued compensated absences totaling \$51,966 in governmental activities (funded by the General Fund) and \$5,396 in the Enterprise Fund.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 9—LONG-TERM OBLIGATIONS:

The following is a summary of long-term obligations of the Town for the year ended June 30, 2015.

	<u>Restated Balance July 1, 2014</u>	<u>Issuances/ Increases</u>	<u>Retirements/ Decreases</u>	<u>Balance June 30, 2015</u>
Long-term liabilities payable from governmental activities:				
Bond	\$ 415,800	\$ -	\$ 40,500	\$ 375,300
GO Bond	-	875,000	320,000	555,000
Premium on Bond	45,878	-	8,951	36,927
Capital leases	44,417	-	19,187	25,230
Net pension liability	96,063	112,152	190,854	17,361
Compensated absences	53,948	-	1,982	51,966
	<u>656,106</u>	<u>987,152</u>	<u>581,474</u>	<u>1,061,784</u>
Total from governmental activities	\$ <u>656,106</u>	\$ <u>987,152</u>	\$ <u>581,474</u>	\$ <u>1,061,784</u>
Long-term liabilities payable from business-type activities:				
Bonds	\$ 354,200	\$ -	\$ 34,500	\$ 319,700
Premium on Bonds	39,082	-	7,625	31,457
Capital leases	39,272	-	14,042	25,230
Net pension liability	8,848	36,988	41,802	4,034
Compensated absences	6,173	-	777	5,396
	<u>447,575</u>	<u>36,988</u>	<u>98,746</u>	<u>385,817</u>
Total from business-type activities	\$ <u>447,575</u>	\$ <u>36,988</u>	\$ <u>98,746</u>	\$ <u>385,817</u>
Total long-term obligations	<u>\$ 1,103,681</u>	<u>\$ 1,024,140</u>	<u>\$ 680,220</u>	<u>\$ 1,447,601</u>
Reconciliation to Exhibit 1:				
Long-term liabilities:				
Due within one year			\$ 115,947	
Due in more than one year			<u>1,331,654</u>	
Total long-term liabilities			<u>\$ 1,447,601</u>	

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 9—LONG-TERM OBLIGATIONS: (CONTINUED)

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

Year Ended June 30,	VRA Series 2002A \$905,000		GO Bond \$2,000,000		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 75,000	\$ 30,222	-	\$ 7,123	\$ 75,000	\$ 37,345
2017	80,000	26,775	555,000	1,159	635,000	27,934
2018	80,000	23,200	-	-	80,000	23,200
2019	80,000	19,775	-	-	80,000	19,775
2020	85,000	16,397	-	-	85,000	16,397
2021	90,000	12,512	-	-	90,000	12,512
2022	100,000	7,944	-	-	100,000	7,944
2023	105,000	2,691	-	-	105,000	2,691
Totals	\$ 695,000	\$ 139,516	\$ 555,000	\$ 8,282	\$ 1,250,000	\$ 147,798

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

Year Ended June 30,	Backhoe \$100,260	
	Principal	Interest
2016	\$ 20,408	\$ 1,317
2017	21,071	654
2018	8,981	72
Totals	\$ 50,460	\$ 2,043

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 9—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>		
Bond:		
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>375,300</u>	\$ <u>40,500</u>
Premium on Issuance	\$ <u>36,927</u>	\$ <u>7,993</u>
GO Bond:		
\$2,000,000 with interest at 1.400% through July 31, 2016. Proceeds are being used for the Streetscape Project. The issue was through VML/VACo's Commercial Paper Program, which is essentially a line of credit. All principal must be paid by July 31, 2016 and payments can be made at any time to reduce the outstanding balance and related interest costs. The financing will be paid with the issuance of bonds. Drawdowns of \$875,000 and payments of \$320,000 were made during fiscal year 2015.	\$ <u>555,000</u>	\$ <u>-</u>
Capital leases:		
In fiscal year 2013, the Town entered into a long-term lease to finance the acquisition of a backhoe. This lease provides for 60 monthly payments in the amount of \$1,810, which includes principal and interest. Interest is charged at a rate of 3.2%. The tractor was capitalized in the amount of \$100,260. The lease and asset are split 50/50 between the general and enterprise fund.	\$ <u>25,230</u>	\$ <u>10,204</u>
Net pension liability	\$ <u>17,361</u>	\$ <u>-</u>
Compensated absences	\$ <u>51,966</u>	\$ <u>5,197</u>
Total long-term obligations from governmental activities	<u>\$ 1,061,784</u>	<u>\$ 63,894</u>

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 9—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-term Indebtedness: (Continued)

	<u>Total Amount Outstanding</u>	<u>Amount Due Within One Year</u>
<u>Business-type Activities:</u>		
Bonds:		
Payments on the \$905,000 bond described above are allocated 46% to the water and sewer fund.	\$ 319,700	\$ 34,500
Premium on Issuance	\$ 31,457	\$ 6,809
Capital leases:		
In fiscal year 2013, the Town entered into a long-term lease to finance the acquisition of a backhoe. This lease provides for 60 monthly payments in the amount of \$1,810, which includes principal and interest. Interest is charged at a rate of 3.2%. The tractor was capitalized in the amount of \$100,260. The lease and asset are split 50/50 between the general and enterprise fund.	\$ 25,230	\$ 10,204
Net pension liability	\$ 4,034	\$ -
Compensated absences	\$ 5,396	\$ 540
Total long-term obligations from business-type activities	<u>\$ 385,817</u>	<u>\$ 52,053</u>

NOTE 10—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, 2015, rent and miscellaneous charges totaled \$354,102.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 10—LEASE AND RELATED AGREEMENTS: (CONTINUED)

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.

NOTE 11—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.

NOTE 11—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see “Eligible Members”)</p> <ul style="list-style-type: none"> • The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

NOTE 11—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 (Cont.)</p>	<p>About Plan 2 (Cont.)</p>	<p>About the Hybrid Retirement Plan (Cont.)</p> <ul style="list-style-type: none"> • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

NOTE 11—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>*Non-Eligible Members (Cont.) Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</p>	<p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>

NOTE 11—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member’s total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Creditable Service Same as Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member’s total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

NOTE 11—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service.</p> <p>Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p>

NOTE 11—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Vesting (Cont.)</p>	<p>Vesting (Cont.)</p>	<p>Vesting (Cont.) <u>Defined Contributions Component: (Cont.)</u> Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>
<p>Calculating the Benefit The Basic Benefit is calculated based on a formula using the member’s average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1</p>

NOTE 11—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Calculating the Benefit (Cont.) An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p>Calculating the Benefit (Cont.)</p>	<p>Calculating the Benefit (Cont.) <u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p>Average Final Compensation A member’s average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member’s average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p> <p>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p>Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p>Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p> <p>Sheriffs and regional jail superintendents: Same as Plan 1.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>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.</p> <p>Sheriffs and regional jail superintendents: Not applicable.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: Not applicable.</p>

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 11—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Normal Retirement Age VRS: Age 65.</p> <p>Political subdivisions hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Normal Retirement Age <u>Defined Benefit Component:</u> VRS: Same as Plan 2.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p>

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 11—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 11—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member’s survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>

NOTE 11—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>Disability Coverage Employees of political subdivisions (including Plan 1 and Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. <p><u>Defined Contribution Component:</u> Not applicable.</p>

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 11—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2014-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Employees Covered by Benefit Terms

As of the June 30, 2013 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	3
Inactive members:	
Vested inactive members	3
Non-vested inactive members	7
Inactive members active elsewhere in VRS	<u>6</u>
Total inactive members	19
Active members	<u>17</u>
Total covered employees	<u><u>36</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. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The Town's contractually required contribution rate for the year ended June 30, 2015 was 7.12% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

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 \$49,440 and \$54,881 for the years ended June 30, 2015 and June 30, 2014, respectively.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 11—PENSION PLAN: (CONTINUED)

Net Pension Liability

The Town's net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

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, 2013, 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, 2014.

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

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

Mortality rates: 14% of deaths are assumed to be service related

Largest 10 - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 11—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees (Continued)

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Actuarial Assumptions - Public Safety Employees

The total pension liability for Public Safety employees in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2013, 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, 2014.

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

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

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 11—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - Public Safety Employees (Continued)

Mortality rates: 60% of deaths are assumed to be service related

Largest 10 - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 11—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
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
		Inflation	2.50%
		*Expected arithmetic nominal return	8.33%

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 11—PENSION PLAN: (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Town Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the 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, 2013	\$ 938,632	\$ 833,721	\$ 104,911
Changes for the year:			
Service cost	\$ 73,034	\$ -	\$ 73,034
Interest	64,493	-	64,493
Contributions - employer	-	54,881	(54,881)
Contributions - employee	-	30,927	(30,927)
Net investment income	-	135,910	(135,910)
Benefit payments, including refunds of employee contributions	(34,594)	(34,594)	-
Administrative expenses	-	(682)	682
Other changes	-	7	(7)
Net changes	<u>\$ 102,933</u>	<u>\$ 186,449</u>	<u>\$ (83,516)</u>
Balances at June 30, 2014	<u>\$ 1,041,565</u>	<u>\$ 1,020,170</u>	<u>\$ 21,395</u>

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 11—PENSION PLAN: (CONTINUED)

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

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
Town's Net Pension Liability (Asset)	\$ 196,546	\$ 21,395	\$ (118,169)

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

For the year ended June 30, 2015, the Town recognized pension expense of \$31,990. At June 30, 2015, 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
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 60,625
Employer contributions subsequent to the measurement date	49,440	-
Total	\$ 49,440	\$ 60,625

\$49,440 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30</u>	
2016	\$ (15,156)
2017	(15,156)
2018	(15,156)
2019	(15,157)
Thereafter	-

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 12—CONTINGENT LIABILITIES:

The Town was notified in December 2014 that the County of Orange, Virginia overpaid the Town in sales tax. At this time a repayment plan has not been approved by the Town or County. This is an ongoing issue.

At June 30, 2015 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 13—CONSTRUCTION COMMITMENTS:

Federal programs in which the Town participates were audited in accordance with the provisions of U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance test which may result in disallowed expenditures. In the opinion of management, future disallowances of current grant program expenditures, if any, would be immaterial.

The Town had construction commitments at year-end related to the Streetscape and Depot projects. Outstanding amounts are as follows:

	<u>Contract Amount</u>	<u>Spent to Date</u>	<u>Balance of Contract</u>
Streetscape Design, etc.	\$ 220,252	\$ 175,430	\$ 44,822
Streetscape Construction	1,813,137	650,427	1,162,710
Depot Design	33,400	19,517	13,883
Total	<u>2,066,789</u>	<u>845,374</u>	<u>1,221,415</u>

NOTE 14—RISK MANAGEMENT:

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

NOTE 15—UNEARNED AND UNAVAILABLE REVENUE:

Unearned and 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.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 15—UNEARNED AND UNAVAILABLE REVENUE: (CONTINUED)

Land Lease - Unearned revenue representing amounts received in advance for the lease described in Note 10 totaled \$210,130 at June 30, 2015.

Unavailable Property Tax Revenue - Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$98,244 (including 2nd ½ tax billings of \$49,650 not due until December 5) at June 30, 2015.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2015 but paid in advance by the taxpayers totaled \$5,281 at June 30, 2015.

NOTE 16—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 \$15,153 during fiscal year 2015 pursuant to the agreement.

NOTE 17—ADOPTION OF ACCOUNTING PRINCIPLES:

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27 and Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68:

The Town implemented the financial reporting provisions of the above Statements for the fiscal year ended June 30, 2015. These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. Note disclosure and required supplementary information requirements about pensions are also addressed. The requirements of these Statements will improve financial reporting by improving accounting and financial reporting by state and local governments for pensions. The implementation of these Statements resulted in the following restatement of net position:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Net position as reported at June 30, 2014	\$ 1,370,786	\$ 2,624,807
Restatement for implementation of GASB 68	<u>(51,529)</u>	<u>1,499</u>
Net position as restated at July 1, 2014	<u>\$ 1,319,257</u>	<u>\$ 2,626,306</u>

Required Supplementary Information

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General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 198,010	\$ 198,010	\$ 189,270	\$ (8,740)
Other local taxes	633,500	617,498	577,715	(39,783)
Permits, privilege fees, and regulatory licenses	1,100	1,100	760	(340)
Fines and forfeitures	240,050	240,050	231,059	(8,991)
Revenue from the use of money and property	363,800	363,800	363,038	(762)
Miscellaneous	11,700	11,700	6,174	(5,526)
Intergovernmental:				
Commonwealth	118,600	118,600	121,921	3,321
Federal	2,255,600	2,255,600	564,191	(1,691,409)
Total revenues	<u>\$ 3,822,360</u>	<u>\$ 3,806,358</u>	<u>\$ 2,054,128</u>	<u>\$ (1,752,230)</u>
EXPENDITURES				
Current:				
General government administration	\$ 450,050	\$ 444,548	\$ 383,596	\$ 60,952
Public safety	577,050	588,109	569,559	18,550
Public works	285,750	377,864	378,126	(262)
Health and welfare	4,100	4,100	4,062	38
Parks, recreation, and cultural	45,670	45,920	37,153	8,767
Community development	1,300	1,300	1,300	-
Capital projects	3,273,200	3,270,139	758,621	2,511,518
Debt service:				
Principal retirement	80,300	80,300	379,686	(299,386)
Interest and other fiscal charges	35,700	35,700	23,754	11,946
Issuance costs	-	-	7,750	(7,750)
Total expenditures	<u>\$ 4,753,120</u>	<u>\$ 4,847,980</u>	<u>\$ 2,543,607</u>	<u>\$ 2,304,373</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (930,760)</u>	<u>\$ (1,041,622)</u>	<u>\$ (489,479)</u>	<u>\$ 552,143</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (11,900)	\$ (11,900)	\$ (21,786)	\$ (9,886)
Issuance of bonds	971,000	971,000	875,000	(96,000)
Total other financing sources (uses)	<u>\$ 959,100</u>	<u>\$ 959,100</u>	<u>\$ 853,214</u>	<u>\$ (105,886)</u>
Net change in fund balances	\$ 28,340	\$ (82,522)	\$ 363,735	\$ 446,257
Fund balances - beginning	(28,340)	121,523	407,257	285,734
Fund balances - ending	<u>\$ -</u>	<u>\$ 39,001</u>	<u>\$ 770,992</u>	<u>\$ 731,991</u>

Pool Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 31,400	\$ 31,400	\$ 24,074	\$ (7,326)
Miscellaneous	5,500	5,500	4,651	(849)
Total revenues	<u>\$ 36,900</u>	<u>\$ 36,900</u>	<u>\$ 28,725</u>	<u>\$ (8,175)</u>
EXPENDITURES				
Current:				
Parks, recreation, and cultural	\$ 48,800	\$ 52,800	\$ 43,688	\$ 9,112
Total expenditures	<u>\$ 48,800</u>	<u>\$ 52,800</u>	<u>\$ 43,688</u>	<u>\$ 9,112</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (11,900)</u>	<u>\$ (15,900)</u>	<u>\$ (14,963)</u>	<u>\$ 937</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 11,900	\$ 11,900	\$ 21,786	\$ 9,886
Total other financing sources (uses)	<u>\$ 11,900</u>	<u>\$ 11,900</u>	<u>\$ 21,786</u>	<u>\$ 9,886</u>
Net change in fund balances	\$ -	\$ (4,000)	\$ 6,823	\$ 10,823
Fund balances - beginning	-	-	49,800	49,800
Fund balances - ending	<u>\$ -</u>	<u>\$ (4,000)</u>	<u>\$ 56,623</u>	<u>\$ 60,623</u>

Schedule of Components of and Changes in Net Pension Liability and Related Ratios
 Virginia Retirement System
 For the Year Ended June 30, 2015

	<u>2014</u>
Total pension liability	
Service cost	\$ 73,034
Interest	64,493
Benefit payments, including refunds of employee contributions	(34,594)
Net change in total pension liability	<u>\$ 102,933</u>
Total pension liability - beginning	938,632
Total pension liability - ending (a)	<u><u>\$ 1,041,565</u></u>
 Plan fiduciary net position	
Contributions - employer	\$ 54,881
Contributions - employee	30,927
Net investment income	135,910
Benefit payments, including refunds of employee contributions	(34,594)
Administrative expense	(682)
Other	7
Net change in plan fiduciary net position	<u>\$ 186,449</u>
Plan fiduciary net position - beginning	833,721
Plan fiduciary net position - ending (b)	<u><u>\$ 1,020,170</u></u>
 Town's net pension liability - ending (a) - (b)	 \$ 21,395
 Plan fiduciary net position as a percentage of the total pension liability	 97.95%
 Covered-employee payroll	 \$ 620,712
 Town's net pension liability as a percentage of covered-employee payroll	 3.45%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

Schedule of Employer Contributions - Virginia Retirement System
 For the Year Ended June 30, 2015

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
2015	\$ 49,440	\$ 49,440	-	\$ 694,382	7.12%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

Notes to Required Supplementary Information - Virginia Retirement System
For the Year Ended June 30, 2015

Changes of benefit terms - There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) - LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

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Other Supplementary Information

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Statement of Changes in Assets and Liabilities

Agency Fund

For the Year Ended June 30, 2015

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Maplewood Cemetery Fund:				
Assets				
Cash and cash equivalents	\$ 63,402	\$ 394,833	\$ 42,057	\$ 416,178
Investments, at fair value:				
U.S. government obligations	384,658	20,294	404,952	-
Corporate stocks	25,830	3,441	-	29,271
Total assets	<u>\$ 473,890</u>	<u>\$ 418,568</u>	<u>\$ 447,009</u>	<u>\$ 445,449</u>
Liabilities				
Amounts held for Maplewood Cemetery	<u>\$ 473,890</u>	<u>\$ 418,568</u>	<u>\$ 447,009</u>	<u>\$ 445,449</u>
TOTALS - ALL AGENCY FUNDS:				
Assets				
Cash and cash equivalents	\$ 63,402	\$ 394,833	\$ 42,057	\$ 416,178
Investments, at fair value:				
U.S. government obligations	384,658	20,294	404,952	-
Corporate stocks	25,830	3,441	-	29,271
Total assets	<u>\$ 473,890</u>	<u>\$ 418,568</u>	<u>\$ 447,009</u>	<u>\$ 445,449</u>
Liabilities				
Amounts held for Maplewood Cemetery	<u>\$ 473,890</u>	<u>\$ 418,568</u>	<u>\$ 447,009</u>	<u>\$ 445,449</u>
Total liabilities	<u>\$ 473,890</u>	<u>\$ 418,568</u>	<u>\$ 447,009</u>	<u>\$ 445,449</u>

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Supporting Schedules

Supporting Schedules

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2015

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	\$ 110,700	\$ 110,700	\$ 114,332	\$ 3,632
Real and personal public service corporation taxes	4,200	4,200	4,051	(149)
Personal property taxes	72,000	72,000	62,367	(9,633)
Mobile home taxes	30	30	25	(5)
Machinery and tools taxes	80	80	367	287
Penalties	5,800	5,800	4,588	(1,212)
Interest and other fees	5,200	5,200	3,540	(1,660)
Total general property taxes	<u>\$ 198,010</u>	<u>\$ 198,010</u>	<u>\$ 189,270</u>	<u>\$ (8,740)</u>
Other local taxes:				
Local sales and use taxes	\$ 150,000	\$ 150,000	\$ 85,423	\$ (64,577)
Consumers' utility taxes	29,500	29,500	29,307	(193)
Cigarette taxes	25,000	25,000	21,000	(4,000)
Business license taxes	98,000	98,000	104,273	6,273
Motor vehicle licenses	26,000	26,000	23,707	(2,293)
Bank stock taxes	5,000	5,000	12,056	7,056
Refund of bank stock taxes	-	(16,002)	(16,002)	-
Restaurant food taxes	300,000	300,000	317,951	17,951
Total other local taxes	<u>\$ 633,500</u>	<u>\$ 617,498</u>	<u>\$ 577,715</u>	<u>\$ (39,783)</u>
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	\$ 1,100	\$ 1,100	\$ 760	\$ (340)
Total permits, privilege fees, and regulatory licenses	<u>\$ 1,100</u>	<u>\$ 1,100</u>	<u>\$ 760</u>	<u>\$ (340)</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 240,000	\$ 240,000	\$ 231,049	\$ (8,951)
Other fines	50	50	10	(40)
Total fines and forfeitures	<u>\$ 240,050</u>	<u>\$ 240,050</u>	<u>\$ 231,059</u>	<u>\$ (8,991)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 7,600	\$ 7,600	\$ 7,942	\$ 342
Revenue from use of property	356,200	356,200	355,096	(1,104)
Total revenue from use of money and property	<u>\$ 363,800</u>	<u>\$ 363,800</u>	<u>\$ 363,038</u>	<u>\$ (762)</u>
Miscellaneous:				
Miscellaneous	\$ 11,700	\$ 11,700	\$ 6,174	\$ (5,526)
Total revenue from local sources	<u>\$ 1,448,160</u>	<u>\$ 1,432,158</u>	<u>\$ 1,368,016</u>	<u>\$ (64,142)</u>

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2015 (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	\$ 2,200	\$ 2,200	\$ 2,192	\$ (8)
Communication taxes	31,200	31,200	32,963	1,763
Personal property tax relief funds	33,700	33,700	33,719	19
Total noncategorical aid	<u>\$ 67,100</u>	<u>\$ 67,100</u>	<u>\$ 68,874</u>	<u>\$ 1,774</u>
Categorical aid:				
Other categorical aid:				
599 Funding	\$ 37,500	\$ 37,500	\$ 37,548	\$ 48
Litter control grant	3,500	3,500	3,885	385
Fire programs fund	10,000	10,000	10,000	-
Airport grant	-	-	1,614	1,614
Other categorical aid	500	500	-	(500)
Total other categorical aid	<u>\$ 51,500</u>	<u>\$ 51,500</u>	<u>\$ 53,047</u>	<u>\$ 1,547</u>
Total revenue from the Commonwealth	<u>\$ 118,600</u>	<u>\$ 118,600</u>	<u>\$ 121,921</u>	<u>\$ 3,321</u>
Revenue from the federal government:				
Categorical aid:				
TEA-21 Depot Grant	\$ 52,600	\$ 52,600	\$ -	\$ (52,600)
TEA-21 Streetscape grant	2,203,000	2,203,000	564,191	(1,638,809)
Total categorical aid	<u>\$ 2,255,600</u>	<u>\$ 2,255,600</u>	<u>\$ 564,191</u>	<u>\$ (1,691,409)</u>
Total revenue from the federal government	<u>\$ 2,255,600</u>	<u>\$ 2,255,600</u>	<u>\$ 564,191</u>	<u>\$ (1,691,409)</u>
Total General Fund	<u><u>\$ 3,822,360</u></u>	<u><u>\$ 3,806,358</u></u>	<u><u>\$ 2,054,128</u></u>	<u><u>\$ (1,752,230)</u></u>
Special Revenue Fund:				
Pool Fund:				
Revenue from local sources:				
Charges for services:				
Charges for open swim	\$ 11,000	\$ 11,000	\$ 9,148	\$ (1,852)
Charges for swim lessons	6,000	6,000	6,122	122
Charges for lifeguard certification	-	-	1,000	1,000
Charges for concessions	5,000	5,000	3,431	(1,569)
Charges for private rentals	4,000	4,000	1,030	(2,970)
Charges for swim team	5,400	5,400	3,343	(2,057)
Total charges for services	<u>\$ 31,400</u>	<u>\$ 31,400</u>	<u>\$ 24,074</u>	<u>\$ (7,326)</u>
Miscellaneous:				
Donations	\$ 5,500	\$ 5,500	\$ 4,651	\$ (849)
Total miscellaneous	<u>\$ 5,500</u>	<u>\$ 5,500</u>	<u>\$ 4,651</u>	<u>\$ (849)</u>
Total revenue from local sources	<u>\$ 36,900</u>	<u>\$ 36,900</u>	<u>\$ 28,725</u>	<u>\$ (8,175)</u>
Total Pool Fund	<u><u>\$ 36,900</u></u>	<u><u>\$ 36,900</u></u>	<u><u>\$ 28,725</u></u>	<u><u>\$ (8,175)</u></u>
Total Primary Government	<u><u>\$ 3,859,260</u></u>	<u><u>\$ 3,843,258</u></u>	<u><u>\$ 2,082,853</u></u>	<u><u>\$ (1,760,405)</u></u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2015

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Town Council	\$ 20,350	\$ 20,350	\$ 17,636	\$ 2,714
General and financial administration:				
Administration	\$ 289,500	\$ 283,998	\$ 222,696	\$ 61,302
Town attorney	19,350	19,350	19,701	(351)
Treasurer	120,850	120,850	123,563	(2,713)
Total general and financial administration	<u>\$ 429,700</u>	<u>\$ 424,198</u>	<u>\$ 365,960</u>	<u>\$ 58,238</u>
Total general government administration	<u>\$ 450,050</u>	<u>\$ 444,548</u>	<u>\$ 383,596</u>	<u>\$ 60,952</u>
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 561,200	\$ 566,756	\$ 551,018	\$ 15,738
Asset forfeiture	500	6,003	1,611	4,392
Total law enforcement and traffic control	<u>\$ 561,700</u>	<u>\$ 572,759</u>	<u>\$ 552,629</u>	<u>\$ 20,130</u>
Fire and rescue services:				
Volunteer fire department	\$ 15,350	\$ 15,350	\$ 16,930	\$ (1,580)
Total fire and rescue services	<u>\$ 15,350</u>	<u>\$ 15,350</u>	<u>\$ 16,930</u>	<u>\$ (1,580)</u>
Total public safety	<u>\$ 577,050</u>	<u>\$ 588,109</u>	<u>\$ 569,559</u>	<u>\$ 18,550</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 231,450	\$ 275,983	\$ 274,937	\$ 1,046
Sanitation and waste removal:				
Refuse collection	\$ 48,000	\$ 48,000	\$ 48,899	\$ (899)
Refuse disposal	2,800	2,800	2,686	114
Litter control	3,500	3,500	4,023	(523)
Clerk of the Works	-	47,581	47,581	-
Total sanitation and waste removal	<u>\$ 54,300</u>	<u>\$ 101,881</u>	<u>\$ 103,189</u>	<u>\$ (1,308)</u>
Total public works	<u>\$ 285,750</u>	<u>\$ 377,864</u>	<u>\$ 378,126</u>	<u>\$ (262)</u>
Health and welfare:				
Welfare:				
Property tax relief for the elderly and handicapped	\$ 2,400	\$ 2,400	\$ 2,362	\$ 38
Piedmont Regional Dental Clinic	500	500	500	-
Other	1,200	1,200	1,200	-
Total welfare	<u>\$ 4,100</u>	<u>\$ 4,100</u>	<u>\$ 4,062</u>	<u>\$ 38</u>
Total health and welfare	<u>\$ 4,100</u>	<u>\$ 4,100</u>	<u>\$ 4,062</u>	<u>\$ 38</u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2015 (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	\$ 2,400	\$ 2,400	\$ 1,887	\$ 513
Total parks and recreation	<u>\$ 2,400</u>	<u>\$ 2,400</u>	<u>\$ 1,887</u>	<u>\$ 513</u>
Cultural enrichment:				
Historic Gordonsville	\$ 2,250	\$ 2,250	\$ 2,250	\$ -
Visitor's Center	40,520	40,520	32,766	7,754
The Journey through Hollowed Ground	500	500	-	500
Destination imagination	-	250	250	-
Total cultural enrichment	<u>\$ 43,270</u>	<u>\$ 43,520</u>	<u>\$ 35,266</u>	<u>\$ 8,254</u>
Total parks, recreation, and cultural	<u>\$ 45,670</u>	<u>\$ 45,920</u>	<u>\$ 37,153</u>	<u>\$ 8,767</u>
Community development:				
Planning and community development:				
Other community development	\$ 1,300	\$ 1,300	\$ 1,300	\$ -
Total community development	<u>\$ 1,300</u>	<u>\$ 1,300</u>	<u>\$ 1,300</u>	<u>\$ -</u>
Capital projects:				
Other capital projects	\$ 2,500	\$ 5,500	\$ 3,134	\$ 2,366
Public works facility	380,000	396,520	8,879	387,641
East Street	-	25,000	4,295	20,705
Streetscape - Town	591,000	581,484	140,370	441,114
Streetscape - VDOT	2,203,000	2,164,935	561,744	1,603,191
Depot - Town	23,100	23,100	19,517	3,583
Depot - VDOT	52,600	52,600	-	52,600
Public works vehicles and equipment	11,000	11,000	12,472	(1,472)
Equipment purchase	10,000	10,000	8,210	1,790
Total capital projects	<u>\$ 3,273,200</u>	<u>\$ 3,270,139</u>	<u>\$ 758,621</u>	<u>\$ 2,511,518</u>
Debt service:				
Principal retirement	\$ 80,300	\$ 80,300	\$ 379,686	\$ (299,386)
Interest and other fiscal charges	35,700	35,700	23,754	11,946
Issuance costs	-	-	7,750	(7,750)
Total debt service	<u>\$ 116,000</u>	<u>\$ 116,000</u>	<u>\$ 411,190</u>	<u>\$ (295,190)</u>
Total General Fund	<u>\$ 4,753,120</u>	<u>\$ 4,847,980</u>	<u>\$ 2,543,607</u>	<u>\$ 2,304,373</u>
Special Revenue Fund:				
Pool Fund:				
Parks and Recreation:				
Swimming Pool	\$ 48,800	\$ 52,800	\$ 43,688	\$ 9,112
Total Pool Fund	<u>\$ 48,800</u>	<u>\$ 52,800</u>	<u>\$ 43,688</u>	<u>\$ 9,112</u>
Total Primary Government	<u>\$ 4,801,920</u>	<u>\$ 4,900,780</u>	<u>\$ 2,587,295</u>	<u>\$ 2,313,485</u>

Compliance

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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, 2015, 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 March 25, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Robinson, Fawcett, Cox Associates
Charlottesville, Virginia
March 25, 2016

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Gordonsville, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town of Gordonsville, Virginia's major federal programs for the year ended June 30, 2015. Town of Gordonsville, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Gordonsville, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Gordonsville, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Town of Gordonsville, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of the Town of Gordonsville, Virginia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Gordonsville, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Gordonsville, Virginia's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Robinson, Fawcett, Cox Associates
Charlottesville, Virginia
March 25, 2016

TOWN OF GORDONSVILLE, VIRGINIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Transportation:			
Pass Through Payments:			
Virginia Department of Transportation:			
Highway Planning and Construction	20.205	EN6-225-118, P101, R201, C501	\$ <u>564,191</u>

Notes to Schedule of Expenditures of Federal Awards

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Town of Gordonsville, Virginia under programs of the federal government for the year ended June 30, 2015. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Town of Gordonsville, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of Town of Gordonsville, Virginia.

Note 2 - Summary of Significant Accounting Policies

(1) Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

TOWN OF GORDONSVILLE, VIRGINIA

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting: Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs: Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

SECTION II - FINANCIAL STATEMENT FINDINGS

There are no financial statement findings to report.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no federal award findings and questioned costs to report.

SECTION IV - PRIOR YEAR FINDINGS AND QUESTIONED COSTS

There were no findings reported for the year ended June 30, 2014.