



**TOWN OF GORDONSVILLE, VIRGINIA**  
**FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2016**



TOWN OF GORDONSVILLE, VIRGINIA

Annual Financial Report  
For the Year Ended June 30, 2016

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TOWN OF GORDONSVILLE, VIRGINIA

Annual Financial Report  
For the Year Ended June 30, 2016

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TOWN OF GORDONSVILLE, VIRGINIA

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Town Council

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Robert K. Coiner, Mayor

Emily Winkey, Vice Mayor

Peter Zahn

James Bradley

Chris Colby

Officials

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Deborah S. Kendall, Town Manager

Angela Scolforo, Town Attorney

Vacant, Town Treasurer



# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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## Independent Auditors' Report

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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, 2016, 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, 2016, 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 2016, the Town adopted new accounting guidance, GASB Statement Nos. 72, *Fair Value Measurement and Application*, 79, *Certain External Investment Pools and Pool Participants* and 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*. 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 55-56 and 57-59 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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



*Other Matters: (Continued)*

*Other Information: (Continued)*

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 May 2, 2017, 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, Fawcett, Cox Associates*

Charlottesville, Virginia  
May 2, 2017

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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, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,645,554	\$ 1,263,370	\$ 2,908,924
Certificate of deposit	400,000	-	400,000
Receivables, net of allowance for uncollectibles:			
Taxes receivable	72,757	-	72,757
Accounts receivable	39,507	66,161	105,668
Due from other governmental units	93,569	-	93,569
Prepaid items	18,514	180	18,694
Restricted assets:			
Cash held for customer deposits	-	36,871	36,871
Capital assets, net of accumulated depreciation:			
Land	184,749	31,833	216,582
Construction in progress	2,747,354	10,316	2,757,670
Land improvements	29,147	-	29,147
Buildings, systems, and improvements	483,557	1,701,358	2,184,915
Infrastructure	293,188	-	293,188
Machinery, equipment and vehicles	82,954	124,583	207,537
Total assets	<u>\$ 6,090,850</u>	<u>\$ 3,234,672</u>	<u>\$ 9,325,522</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension contributions subsequent to measurement date	\$ 51,765	\$ 19,036	\$ 70,801
Difference between actual and expected pension experience	123	29	152
Difference between projected and actual pension earnings	-	1,251	1,251
Total deferred outflows of resources	<u>\$ 51,888</u>	<u>\$ 20,316</u>	<u>\$ 72,204</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 58,560	\$ 13,891	\$ 72,451
Contracts payable	85,654	-	85,654
Accrued liabilities	71,947	14,884	86,831
Retainage payable	112,354	-	112,354
Customers' deposits payable from restricted assets	-	36,871	36,871
Accrued interest payable	3,853	3,285	7,138
Unearned revenue	216,434	-	216,434
Short-term loan	1,062,882	-	1,062,882
Long-term liabilities:			
Due within one year	727,287	53,993	781,280
Due in more than one year	481,809	284,036	765,845
Total liabilities	<u>\$ 2,820,780</u>	<u>\$ 406,960</u>	<u>\$ 3,227,740</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred revenue - property taxes	\$ 54,466	\$ -	\$ 54,466
Difference between projected and actual pension earnings	27,231	-	27,231
Total deferred inflows of resources	<u>\$ 81,697</u>	<u>\$ -</u>	<u>\$ 81,697</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 1,987,051	\$ 1,543,216	\$ 3,530,267
Restricted:			
Pool improvements and activities	51,831	-	51,831
Law enforcement	333	-	333
Unrestricted	1,201,046	1,304,812	2,505,858
Total net position	<u>\$ 3,240,261</u>	<u>\$ 2,848,028</u>	<u>\$ 6,088,289</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, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT:</b>				
Governmental activities:				
General government administration	\$ 361,403	\$ 588	\$ -	\$ -
Public safety	554,151	138,775	49,299	-
Public works	309,850	-	3,927	-
Health and welfare	4,312	-	-	-
Parks, recreation, and cultural	75,555	21,711	6,805	1,260,948
Community development	1,300	-	-	-
Interest on long-term debt	22,984	-	-	-
Total governmental activities	<u>\$ 1,329,555</u>	<u>\$ 161,074</u>	<u>\$ 60,031</u>	<u>\$ 1,260,948</u>
Business-type activities:				
Water and Sewer Fund	\$ 1,048,532	\$ 1,100,880	\$ -	\$ 15,750
Total business-type activities	<u>\$ 1,048,532</u>	<u>\$ 1,100,880</u>	<u>\$ -</u>	<u>\$ 15,750</u>
Total primary government	<u>\$ 2,378,087</u>	<u>\$ 1,261,954</u>	<u>\$ 60,031</u>	<u>\$ 1,276,698</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
- Special Item - Orange County sales tax repayment
- Total general revenues and special items
- Change in net position
- Net position - beginning
- Net position - ending

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



Exhibit 2

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (360,815)		\$ (360,815)
(366,077)		(366,077)
(305,923)		(305,923)
(4,312)		(4,312)
1,213,909		1,213,909
(1,300)		(1,300)
(22,984)		(22,984)
<u>\$ 152,498</u>		<u>\$ 152,498</u>
	\$ 68,098	\$ 68,098
	\$ 68,098	\$ 68,098
<u>\$ 152,498</u>	<u>\$ 68,098</u>	<u>\$ 220,596</u>
\$ 158,298	\$ -	\$ 158,298
77,939	-	77,939
29,448	-	29,448
95,838	-	95,838
343,681	-	343,681
52,747	-	52,747
379,390	56,470	435,860
8,794	-	8,794
64,186	-	64,186
(95,000)	-	(95,000)
<u>\$ 1,115,321</u>	<u>\$ 56,470</u>	<u>\$ 1,171,791</u>
\$ 1,267,819	\$ 124,568	\$ 1,392,387
1,972,442	2,723,460	4,695,902
<u>\$ 3,240,261</u>	<u>\$ 2,848,028</u>	<u>\$ 6,088,289</u>

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## **Fund Financial Statements**

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Balance Sheet  
 Governmental Funds  
 June 30, 2016

	<u>General Fund</u>	<u>Pool Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,596,470	\$ 49,084	\$ 1,645,554
Certificate of deposit	400,000	-	400,000
Receivables, net of allowance for uncollectibles			
Taxes receivable	72,757	-	72,757
Accounts receivable	39,047	460	39,507
Due from other governmental units	93,569	-	93,569
Prepaid items	18,514	-	18,514
Total assets	<u>\$ 2,220,357</u>	<u>\$ 49,544</u>	<u>\$ 2,269,901</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 52,764	\$ 5,796	\$ 58,560
Contracts payable	85,654	-	85,654
Accrued liabilities	68,027	3,920	71,947
Retainage payable	112,354	-	112,354
Unearned revenue	216,434	-	216,434
Short-term loan	1,062,882	-	1,062,882
Total liabilities	<u>\$ 1,598,115</u>	<u>\$ 9,716</u>	<u>\$ 1,607,831</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	\$ 78,088	\$ -	\$ 78,088
<b>FUND BALANCES</b>			
Nonspendable:			
Prepays	\$ 18,514	\$ -	\$ 18,514
Restricted:			
Pool capital donations	-	49,284	49,284
Learn to swim scholarship	-	1,482	1,482
Pool pass donations	-	1,065	1,065
Law enforcement	333	-	333
Committed:			
East Street project	21,802	-	21,802
Streetscape project	55,722	-	55,722
Public works facility	353,906	-	353,906
Freight Depot	20,575	-	20,575
Unassigned	73,302	(12,003)	61,299
Total fund balances	<u>\$ 544,154</u>	<u>\$ 39,828</u>	<u>\$ 583,982</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,220,357</u>	<u>\$ 49,544</u>	<u>\$ 2,269,901</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, 2016

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Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds		\$	583,982
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			2,747,354
Land improvements			29,147
Buildings and improvements			483,557
Infrastructure			293,188
Machinery, equipment and vehicles			82,954
			<u>3,820,949</u>
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			23,622
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.			
			51,765
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.			
			(27,231)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.			
Bonds		\$	(1,025,852)
Settlement agreement			(95,000)
Capital leases			(15,026)
Compensated absences			(43,514)
Net pension liability			(29,704)
Deferred outflows - difference between actual and expected pension experience			123
Accrued interest payable			(3,853)
			<u>(1,212,826)</u>
Net position of governmental activities		\$	<u><u>3,240,261</u></u>

Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Funds  
 For the Year Ended June 30, 2016

	General Fund	Pool Fund	Total
<b>REVENUES</b>			
General property taxes	\$ 183,270	\$ -	\$ 183,270
Other local taxes	599,653	-	599,653
Permits, privilege fees, and regulatory licenses	588	-	588
Fines and forfeitures	138,775	-	138,775
Revenue from the use of money and property	379,390	-	379,390
Charges for services	-	21,711	21,711
Miscellaneous	14,109	3,240	17,349
Intergovernmental:			
Commonwealth	115,661	-	115,661
Federal	1,260,948	-	1,260,948
Total revenues	<u>\$ 2,692,394</u>	<u>\$ 24,951</u>	<u>\$ 2,717,345</u>
<b>EXPENDITURES</b>			
Current:			
General government administration	\$ 346,396	\$ -	\$ 346,396
Public safety	567,417	-	567,417
Public works	370,791	-	370,791
Health and welfare	4,312	-	4,312
Parks, recreation, and cultural	28,822	41,746	70,568
Community development	1,300	-	1,300
Capital projects	1,625,136	-	1,625,136
Debt service:			
Principal retirement	175,704	-	175,704
Interest and other fiscal charges	31,473	-	31,473
Total expenditures	<u>\$ 3,151,351</u>	<u>\$ 41,746</u>	<u>\$ 3,193,097</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (458,957)</u>	<u>\$ (16,795)</u>	<u>\$ (475,752)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Issuance of bonds	\$ 232,118	\$ -	\$ 232,118
Total other financing sources (uses)	<u>\$ 232,118</u>	<u>\$ -</u>	<u>\$ 232,118</u>
Net change in fund balances	\$ (226,839)	\$ (16,795)	\$ (243,634)
Fund balances - beginning	770,993	56,623	827,616
Fund balances - ending	<u>\$ 544,154</u>	<u>\$ 39,828</u>	<u>\$ 583,982</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, 2016

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

Net change in fund balances - total governmental funds \$ (243,634)

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	\$ 1,708,322	
Depreciation	<u>(67,568)</u>	1,640,754

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. (24,972)

The change in deferred inflows related to the measurement of the net pension liability is not reported in governmental funds. 30,163

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	\$ (232,118)	
Settlement agreement	(95,000)	
Payment of principal	175,704	
Amortization of premium on issuance	<u>7,993</u>	(143,421)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

Compensated absences	\$ 8,452	
Net pension liability	(12,343)	
Deferred outflows - pension contributions subsequent to measurement date	12,200	
Deferred outflows - difference between actual and expected pension experience	123	
Accrued interest payable	<u>497</u>	<u>8,929</u>

Change in net position of governmental activities \$ 1,267,819

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



Statement of Net Position  
 Proprietary Fund  
 June 30, 2016

	<u>Enterprise Fund</u>
	<u>Water and Sewer Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 1,263,370
Accounts receivable, net of allowance for uncollectibles	66,161
Prepaid expenses	180
Total current assets	<u>\$ 1,329,711</u>
Noncurrent assets:	
Restricted assets:	
Cash held for customer deposits	\$ 36,871
Capital assets:	
Land	31,833
Construction in progress	10,316
Buildings and systems, net of accumulated depreciation	1,701,358
Machinery and equipment, net of accumulated depreciation	124,583
Total capital assets	<u>\$ 1,868,090</u>
Total noncurrent assets	<u>\$ 1,904,961</u>
Total assets	<u>\$ 3,234,672</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension contributions subsequent to measurement date	\$ 19,036
Difference between actual and expected pension experience	29
Difference between projected and actual pension earnings	1,251
Total deferred outflows of resources	<u>\$ 20,316</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 13,891
Accrued liabilities	14,884
Customers' deposits payable from restricted assets	36,871
Accrued interest payable	3,285
Compensated absences - current portion	625
Bonds payable - current portion	42,833
Capital lease - current portion	10,535
Total current liabilities	<u>\$ 122,924</u>
Noncurrent liabilities:	
Compensated absences - net of current portion	\$ 5,629
Bonds payable - net of current portion	267,015
Capital lease - net of current portion	4,491
Net pension liability	6,901
Total noncurrent liabilities	<u>\$ 284,036</u>
Total liabilities	<u>\$ 406,960</u>
<b>NET POSITION</b>	
Net investment in capital assets	\$ 1,543,216
Unrestricted	1,304,812
Total net position	<u>\$ 2,848,028</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, 2016

	<u>Enterprise Fund</u>
	<u>Water and Sewer Fund</u>
<b>OPERATING REVENUES</b>	
Charges for services:	
Water revenues	\$ 781,583
Sewer revenues	308,957
Delinquent fees	5,750
Cut on fees	2,160
Miscellaneous	2,430
Total operating revenues	<u>\$ 1,100,880</u>
<b>OPERATING EXPENSES</b>	
Water and water tests	\$ 328,832
Sewer	203,888
Salaries, wages, and benefits	284,059
Repairs and maintenance	35,453
Materials and supplies	12,891
Professional services	11,872
Telephone and utilities	7,188
Vehicle expenses	15,981
Other operating expenses	22,684
Depreciation	118,356
Total operating expenses	<u>\$ 1,041,204</u>
Operating income (loss)	<u>\$ 59,676</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Use of property	\$ 56,470
Interest expense	(7,328)
Total nonoperating revenues (expenses)	<u>\$ 49,142</u>
Income before capital contributions	\$ 108,818
Capital contributions	15,750
Change in net position	<u>\$ 124,568</u>
Total net position - beginning	<u>2,723,460</u>
Total net position - ending	<u><u>\$ 2,848,028</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, 2016

	<u>Enterprise Fund</u>
	<u>Water and Sewer Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 1,128,583
Payments to suppliers	(628,556)
Payments to employees	(289,495)
Net cash provided by (used for) operating activities	<u>\$ 210,532</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Use of property	\$ 56,470
Net cash provided by (used for) noncapital financing activities	<u>\$ 56,470</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Additions to CIP and machinery and equipment	\$ (50,472)
Principal payments on bonds	(34,500)
Principal payments on capital lease	(10,204)
Contributions in aid of construction	15,750
Interest payments	(14,559)
Net cash provided by (used for) capital and related financing activities	<u>\$ (93,985)</u>
Net increase (decrease) in cash and cash equivalents	\$ 173,017
Cash and cash equivalents - beginning (including restricted)	1,127,224
Cash and cash equivalents - ending (including restricted)	<u>\$ 1,300,241</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>	
Operating income (loss)	\$ 59,676
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation expense	\$ 118,356
(Increase) decrease in:	
Accounts receivable	22,014
Prepaid expenses	(180)
Pension contributions subsequent to measurement date	(9,161)
Other pension related deferred outflows	(1,280)
Increase (decrease) in:	
Customer deposits	5,689
Accounts payable	10,413
Accrued liabilities	4,511
Compensated absences	858
Net pension liability	2,867
Pension related deferred inflows	(3,231)
Total adjustments	<u>\$ 150,856</u>
Net cash provided by (used for) operating activities	<u>\$ 210,532</u>

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

Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2016

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	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 413,655
Investments, at fair value:	
Corporate stocks	37,268
Total assets	<u>\$ 450,923</u>
<b>LIABILITIES</b>	
Amounts held for Maplewood Cemetery	\$ 450,923
Total liabilities	<u>\$ 450,923</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, 2016

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**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

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**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)**

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**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)**

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**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 2016.

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)**

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**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, 2016.



TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

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

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**E. Expenditures and Appropriations**

Expenditures did not exceed appropriations in any fund at June 30, 2016.

**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, 2016 consisted of amounts invested in the Local Government Investment Pool, a 60 month certificate of deposit, and the balance of a construction escrow account and bond proceeds, which are reported at amortized cost. The agency fund has investments in corporate stock, which is 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 \$50,824 and \$62,721, respectively at June 30, 2016.

**J. Capital Assets**

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

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

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

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**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 two items that qualify for reporting in this category. They are comprised of certain items related to the measurement of the net pension liability. One part 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. The other item includes differences between expected and actual experience. 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)**

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**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)**

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**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. The general fund was not in compliance with this policy for fiscal year 2016.

**S. Upcoming Pronouncements**

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.

Management is currently evaluating the impact this standard will have on the financial statements when adopted.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

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**NOTE 2—DEPOSITS AND INVESTMENTS:**

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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, 2016 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, 2016 were rated by Standard & Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard & Poor's rating scale.

<u>Rated Debt Investments</u>	<u>Ratings</u>	
	<u>AAAm</u>	<u>Unrated</u>
Local Government Investment Pool	\$ 1,159,526	\$ -
Money market mutual funds	-	467,870
Total	<u>\$ 1,159,526</u>	<u>\$ 467,870</u>

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

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**NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)**

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Interest Rate Risk

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

Investment Maturities (in years)		
Investment Type	Value	Less Than 1 Year
Local Government Investment Pool	\$ 1,159,526	\$ 1,159,526
Money market mutual funds	467,870	467,870
Total	<u>\$ 1,627,396</u>	<u>\$ 1,627,396</u>

External Investment Pool

The fair value of the positions in the external investment pool (Local Government Investment Pool) is the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP is an amortized cost basis portfolio under the provisions of GASB Statement No. 79. There are no withdrawal limitations or restrictions imposed on participants.

**NOTE 3—FAIR VALUE MEASUREMENTS:**

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

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

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

**NOTE 3—FAIR VALUE MEASUREMENTS: (CONTINUED)**

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

The Town has the following recurring fair value measurements as of June 30, 2016:

Investment type	6/30/2016	Fair Value Measurements Using		
		Quoted Prices in Active Markets or Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Corporate Stock	\$ 37,268	\$ 37,268	\$ -	\$ -

**NOTE 4—PROPERTY TAXES:**

Real and personal property taxes are levied on January 1 at a rate enacted by the Town Council on the assessed value of property as determined by the Commissioner of Revenue of Orange County. Neither the Town Charter nor the State of Virginia imposes a limitation on the tax rate. The Town's tax rates for fiscal year 2016 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.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

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**NOTE 5—ACCOUNTS RECEIVABLE:**

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Accounts receivable are detailed as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Property taxes	\$ 123,581	\$ -
Meals taxes	34,031	-
Consumer utility taxes	4,042	-
Consumption taxes	696	-
Other	738	128,882
	<hr/>	<hr/>
Total	\$ 163,088	\$ 128,882
Allowance for uncollectibles	(50,824)	(62,721)
	<hr/>	<hr/>
Net receivables	\$ <u>112,264</u>	\$ <u>66,161</u>

**NOTE 6—DUE FROM OTHER GOVERNMENTAL UNITS:**

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Amounts due from other governments are detailed as follows:

	<u>Governmental Activities</u>
<b>Commonwealth of Virginia:</b>	
Communication tax	\$ 4,814
TEA-21 streetscape grant	53,284
Other	993
<b>County of Orange, Virginia:</b>	
Local sales taxes	21,651
<b>Circuit Court of Orange County, Virginia:</b>	
Court fines	12,827
	<hr/>
Total	\$ <u>93,569</u>



TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

**NOTE 7—CAPITAL ASSETS:**

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

	<u>Balance July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2016</u>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 184,749	\$ -	\$ -	\$ 184,749
Construction in progress	<u>1,039,032</u>	<u>1,708,322</u>	<u>-</u>	<u>2,747,354</u>
Total capital assets not being depreciated	<u>\$ 1,223,781</u>	<u>\$ 1,708,322</u>	<u>\$ -</u>	<u>\$ 2,932,103</u>
Other capital assets:				
Land improvements	\$ 121,732	\$ -	\$ -	\$ 121,732
Buildings and improvements	923,035	-	-	923,035
Infrastructure	427,234	-	-	427,234
Machinery, equipment and vehicles	<u>280,398</u>	<u>-</u>	<u>28,040</u>	<u>252,358</u>
Total other capital assets	<u>\$ 1,752,399</u>	<u>\$ -</u>	<u>\$ 28,040</u>	<u>\$ 1,724,359</u>
Accumulated depreciation:				
Land improvements	\$ 89,122	\$ 3,463	\$ -	\$ 92,585
Buildings and improvements	415,096	24,382	-	439,478
Infrastructure	123,365	10,681	-	134,046
Machinery, equipment and vehicles	<u>168,402</u>	<u>29,042</u>	<u>28,040</u>	<u>169,404</u>
Total accumulated depreciation	<u>\$ 795,985</u>	<u>\$ 67,568</u>	<u>\$ 28,040</u>	<u>\$ 835,513</u>
Other capital assets, net	<u>\$ 956,414</u>	<u>\$ (67,568)</u>	<u>\$ -</u>	<u>\$ 888,846</u>
Net capital assets	<u><u>\$ 2,180,195</u></u>	<u><u>\$ 1,640,754</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,820,949</u></u>
Depreciation is allocated to:				
General government administration		\$ 28,780		
Public safety		8,189		
Public works		25,611		
Parks, Recreation, and Cultural		<u>4,988</u>		
Total		<u><u>\$ 67,568</u></u>		

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

NOTE 7—CAPITAL ASSETS: (CONTINUED)

Business-type Activities:	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Capital assets not being depreciated:				
Land	\$ 31,833	\$ -	\$ -	\$ 31,833
Construction in progress	5,484	4,832	-	10,316
Total capital assets not being depreciated	\$ 37,317	\$ 4,832	\$ -	\$ 42,149
Other capital assets:				
Buildings and systems	\$ 3,517,566	\$ 25,685	\$ -	\$ 3,543,251
Machinery and Equipment	268,352	19,955	-	288,307
Total other capital assets	\$ 3,785,918	\$ 45,640	\$ -	\$ 3,831,558
Accumulated depreciation:				
Buildings and systems	\$ 1,754,760	\$ 87,133	\$ -	\$ 1,841,893
Machinery and Equipment	132,501	31,223	-	163,724
Total accumulated depreciation	\$ 1,887,261	\$ 118,356	\$ -	\$ 2,005,617
Other capital assets, net	\$ 1,898,657	\$ (72,716)	\$ -	\$ 1,825,941
Net capital assets	\$ 1,935,974	\$ (67,884)	\$ -	\$ 1,868,090
Depreciation is allocated to:				
Water and sewer operations		\$ 118,356		

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 \$43,514 in governmental activities (funded by the General Fund) and \$6,254 in the Enterprise Fund.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

**NOTE 9—LONG-TERM OBLIGATIONS:**

The following is a summary of long-term obligations of the Town for the year ended June 30, 2016.

	<u>Balance</u> <u>July 1, 2015</u>	<u>Issuances/</u> <u>Increases</u>	<u>Retirements/</u> <u>Decreases</u>	<u>Balance</u> <u>June 30, 2016</u>
Long-term liabilities payable from governmental activities:				
Bond	\$ 375,300	\$ -	\$ 40,500	\$ 334,800
GO Bond	555,000	232,118	125,000	662,118
Premium on Bond	36,927	-	7,993	28,934
Settlement Agreement - Orange County	-	95,000	-	95,000
Capital leases	25,230	-	10,204	15,026
Net pension liability	17,361	115,256	102,913	29,704
Compensated absences	51,966	-	8,452	43,514
	<u>1,061,784</u>	<u>442,374</u>	<u>295,062</u>	<u>1,209,096</u>
Total from governmental activities	\$ <u>1,061,784</u>	\$ <u>442,374</u>	\$ <u>295,062</u>	\$ <u>1,209,096</u>
Long-term liabilities payable from business-type activities:				
Bonds	\$ 319,700	\$ -	\$ 34,500	\$ 285,200
Premium on Bonds	31,457	-	6,809	24,648
Capital leases	25,230	-	10,204	15,026
Net pension liability	4,034	26,776	23,909	6,901
Compensated absences	5,396	858	-	6,254
	<u>385,817</u>	<u>27,634</u>	<u>75,422</u>	<u>338,029</u>
Total from business-type activities	\$ <u>385,817</u>	\$ <u>27,634</u>	\$ <u>75,422</u>	\$ <u>338,029</u>
Total long-term obligations	<u>\$ 1,447,601</u>	<u>\$ 470,008</u>	<u>\$ 370,484</u>	<u>\$ 1,547,125</u>
Reconciliation to Exhibit 1:				
Long-term liabilities:				
Due within one year			\$ 781,280	
Due in more than one year			<u>765,845</u>	
Total long-term liabilities			<u>\$ 1,547,125</u>	

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (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		VML/VACO GO Bond 2014 \$2,000,000		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 80,000	\$ 26,775	\$ 662,118	\$ 11,388	\$ 742,118	\$ 38,163
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	\$ 620,000	\$ 109,294	\$ 662,118	\$ 11,388	\$ 1,282,118	\$ 120,682

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

Year Ended June 30,	Backhoe \$100,260	
	Principal	Interest
2017	\$ 21,071	\$ 654
2018	8,981	72
Totals	\$ 30,052	\$ 726

In addition, the Town had a short-term loan outstanding at June 30, 2016. The proceeds were used to refinance long-term debt.

	Balance July 1, 2015	Issuances	Retirements	Balance June 30, 2016
Short-term loan	\$ -	\$ 1,062,882	\$ -	\$ 1,062,882

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (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.	\$ 334,800	\$ 43,200
Premium on Issuance	\$ 28,934	\$ 7,082
GO Bond:		
On August 11, 2015, the Town issued General Obligation Bonds in the amount of \$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.	\$ 662,118	\$ 662,118
Settlement Agreement:		
The Town entered into a settlement agreement with Orange County, Virginia in December 2016 related to the County Treasurer's overpayment of \$95,000 in sales tax to the Town. The settlement terms require ten (10) annual payments of \$9,500 without interest beginning July 1, 2017.	\$ 95,000	\$ -
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.	\$ 15,026	\$ 10,536
Net pension liability	\$ 29,704	\$ -
Compensated absences	\$ 43,514	\$ 4,351
Total long-term obligations from governmental activities	<u>\$ 1,209,096</u>	<u>\$ 727,287</u>

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

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**NOTE 9—LONG-TERM OBLIGATIONS: (CONTINUED)**

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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.	\$ 285,200	\$ 36,800
Premium on Issuance	\$ 24,648	\$ 6,033
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.	\$ 15,026	\$ 10,535
Net pension liability	\$ 6,901	\$ -
Compensated absences	\$ 6,254	\$ 625
Total long-term obligations from business-type activities	<u>\$ 338,029</u>	<u>\$ 53,993</u>

**NOTE 10—LEASE AND RELATED AGREEMENTS:**

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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, 2016, rent and miscellaneous charges totaled \$364,725.

## TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

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### NOTE 10—LEASE AND RELATED AGREEMENTS: (CONTINUED)

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#### Water Agreements

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

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

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

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

### NOTE 11—PENSION PLAN:

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#### *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 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:

<b>RETIREMENT PLAN PROVISIONS</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>About Plan 1</b> 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><b>About Plan 2</b> 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><b>About the Hybrid Retirement Plan</b> 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"> <li>• The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.</li> <li>• 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.</li> </ul>



NOTE 11—PENSION PLAN: (CONTINUED)

*Plan Description (Continued)*

<b>RETIREMENT PLAN PROVISIONS (CONTINUED)</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<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"> <li>• 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.</li> </ul>
<p><b>Eligible Members</b> 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><b>Hybrid Opt-In Election</b> 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><b>Eligible Members</b> 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><b>Hybrid Opt-In Election</b> 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><b>Eligible Members</b> 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"> <li>• Political subdivision employees*</li> <li>• 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.</li> </ul> <p><b>*Non-Eligible Members</b> Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> <li>• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.</li> </ul>

NOTE 11—PENSION PLAN: (CONTINUED)

*Plan Description (Continued)*

<b>RETIREMENT PLAN PROVISIONS (CONTINUED)</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>Hybrid Opt-In Election (Cont.)</b> 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><b>Hybrid Opt-In Election (Cont.)</b> 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><b>*Non-Eligible Members (Cont.)</b> 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><b>Retirement Contributions</b> 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><b>Retirement Contributions</b> 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><b>Retirement Contributions</b> 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)*

<b>RETIREMENT PLAN PROVISIONS (CONTINUED)</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>Creditable Service</b> 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><b>Creditable Service</b> Same as Plan 1.</p>	<p><b>Creditable Service</b> <b><u>Defined Benefit Component:</u></b> 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><b><u>Defined Contributions Component:</u></b> 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)*

<b>RETIREMENT PLAN PROVISIONS (CONTINUED)</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>Vesting</b> 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><b>Vesting</b> Same as Plan 1.</p>	<p><b>Vesting</b> <u><b>Defined Benefit Component:</b></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><b>Defined Contributions Component:</b></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
Vesting (Cont.)	Vesting (Cont.)	<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"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul> <p>Distribution is not required by law until age 70½.</p>
<p><b>Calculating the Benefit</b> 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><b>Calculating the Benefit</b> See definition under Plan 1.</p>	<p><b>Calculating the Benefit</b> <u>Defined Benefit Component:</u> See definition under Plan 1</p>

NOTE 11—PENSION PLAN: (CONTINUED)

*Plan Description (Continued)*

<b>RETIREMENT PLAN PROVISIONS (CONTINUED)</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>Calculating the Benefit (Cont.)</b> 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><b>Calculating the Benefit (Cont.)</b></p>	<p><b>Calculating the Benefit (Cont.)</b> <u><b>Defined Contribution Component:</b></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><b>Average Final Compensation</b> A member’s average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b> A member’s average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b> Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p><b>Service Retirement Multiplier</b> <b>VRS:</b> 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><b>Sheriffs and regional jail superintendents:</b> The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p><b>Political subdivision hazardous duty employees:</b> 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><b>Service Retirement Multiplier</b> <b>VRS:</b> 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><b>Sheriffs and regional jail superintendents:</b> Same as Plan 1.</p> <p><b>Political subdivision hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Service Retirement Multiplier</b> <u><b>Defined Benefit Component:</b></u> <b>VRS:</b> 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><b>Sheriffs and regional jail superintendents:</b> Not applicable.</p> <p><b>Political subdivision hazardous duty employees:</b> Not applicable.</p> <p><b>Defined Contribution Component:</b> Not applicable.</p>

NOTE 11—PENSION PLAN: (CONTINUED)

*Plan Description (Continued)*

<b>RETIREMENT PLAN PROVISIONS (CONTINUED)</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>Normal Retirement Age</b> VRS: Age 65.</p> <p><b>Political subdivisions hazardous duty employees:</b> Age 60.</p>	<p><b>Normal Retirement Age</b> VRS: Normal Social Security retirement age.</p> <p><b>Political subdivisions hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Normal Retirement Age</b> <u><b>Defined Benefit Component:</b></u> VRS: Same as Plan 2.</p> <p><b>Political subdivisions hazardous duty employees:</b> Not applicable.</p> <p><u><b>Defined Contribution Component:</b></u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Earliest Unreduced Retirement Eligibility</b> 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><b>Political subdivisions hazardous duty employees:</b> Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b> 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><b>Political subdivisions hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b> <u><b>Defined Benefit Component:</b></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><b>Political subdivisions hazardous duty employees:</b> Not applicable.</p> <p><u><b>Defined Contribution Component:</b></u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Earliest Reduced Retirement Eligibility</b> 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><b>Earliest Reduced Retirement Eligibility</b> VRS: Age 60 with at least five years (60 months) of creditable service.</p>	<p><b>Earliest Reduced Retirement Eligibility</b> <u><b>Defined Benefit Component:</b></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, 2016 (Continued)

NOTE 11—PENSION PLAN: (CONTINUED)

*Plan Description (Continued)*

<b>RETIREMENT PLAN PROVISIONS (CONTINUED)</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>Earliest Reduced Retirement Eligibility (Cont.)</b></p> <p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p>	<p><b>Earliest Reduced Retirement Eligibility (Cont.)</b></p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p><b>Earliest Reduced Retirement Eligibility (Cont.)</b></p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><b><u>Defined Contribution Component:</u></b> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> 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><b><u>Eligibility:</u></b> 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><b>Cost-of-Living Adjustment (COLA) in Retirement</b> 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><b><u>Eligibility:</u></b> Same as Plan 1.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> <b><u>Defined Benefit Component:</u></b> Same as Plan 2.</p> <p><b><u>Defined Contribution Component:</u></b> Not applicable.</p> <p><b><u>Eligibility:</u></b> Same as Plan 1 and Plan 2.</p>



TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (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"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> <li>• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</li> <li>• 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.</li> <li>• 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.</li> </ul>	<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>

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

NOTE 11—PENSION PLAN: (CONTINUED)

*Plan Description (Continued)*

<b>RETIREMENT PLAN PROVISIONS (CONTINUED)</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>Disability Coverage</b> 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><b>Disability Coverage</b> 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><b>Disability Coverage</b> 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><b>Purchase of Prior Service</b> 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><b>Purchase of Prior Service</b> Same as Plan 1.</p>	<p><b>Purchase of Prior Service</b> <b><u>Defined Benefit Component:</u></b> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> <li>• Hybrid Retirement Plan members are ineligible for ported service.</li> <li>• The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.</li> <li>• 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.</li> </ul> <p><b><u>Defined Contribution Component:</u></b> Not applicable.</p>

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

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NOTE 11—PENSION PLAN: (CONTINUED)

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*Plan Description (Continued)*

The System issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-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, 2014 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	6
Inactive members active elsewhere in VRS	<u>8</u>
Total inactive members	17
Active members	<u>16</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, 2016 was 10.14% 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 \$70,801 and \$49,440 for the years ended June 30, 2016 and June 30, 2015, respectively.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

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NOTE 11—PENSION PLAN: (CONTINUED)

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*Net Pension Liability*

The Town's net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

*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, 2014, 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, 2015.

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

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

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**NOTE 11—PENSION PLAN: (CONTINUED)**

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*Actuarial Assumptions - General Employees (Continued)*

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

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, 2014 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, 2014, 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, 2015.

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, 2016 (Continued)

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NOTE 11—PENSION PLAN: (CONTINUED)

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*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, 2014 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, 2016 (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, 2016 (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, 2014	\$ 1,041,565	\$ 1,020,170	\$ 21,395
Changes for the year:			
Service cost	\$ 69,845	\$ -	\$ 69,845
Interest	71,368	-	71,368
Differences between expected and actual experience	197	-	197
Contributions - employer	-	46,261	(46,261)
Contributions - employee	-	32,323	(32,323)
Net investment income	-	48,238	(48,238)
Benefit payments, including refunds of employee contributions	(44,053)	(44,053)	-
Administrative expenses	-	(613)	613
Other changes	-	(9)	9
Net changes	\$ 97,357	\$ 82,147	\$ 15,210
Balances at June 30, 2015	\$ 1,138,922	\$ 1,102,317	\$ 36,605



TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (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)	\$ 228,714	\$ 36,605	\$ (116,964)

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

For the year ended June 30, 2016, the Town recognized pension expense of \$26,674. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 152	\$ -
Net difference between projected and actual earnings on pension plan investments	-	25,980
Employer contributions subsequent to the measurement date	70,801	-
Total	\$ 70,953	\$ 25,980

\$70,801 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	
2017	\$ (10,239)
2018	(10,239)
2019	(10,240)
2020	4,890
Thereafter	-

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

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**NOTE 12—CONTINGENT LIABILITIES:**

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At June 30, 2016 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:**

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Federal programs in which the Town participates were audited in accordance with the provisions of U.S. Office of Management and Budget Uniform Guidance. 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	\$ 196,873	\$ 23,379
Streetscape Construction	1,813,137	1,687,979	125,158
Depot Design	33,400	25,200	8,200
Depot Renovation	206,687	-	206,687
Total	<u>2,273,476</u>	<u>1,910,052</u>	<u>363,424</u>

**NOTE 14—RISK MANAGEMENT:**

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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 DEFERRED/UNAVAILABLE REVENUE:**

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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, 2016 (Continued)

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### **NOTE 15—UNEARNED AND DEFERRED/UNAVAILABLE REVENUE: (CONTINUED)**

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Land Lease - Unearned revenue representing amounts received in advance for the lease described in Note 10 totaled \$216,434 at June 30, 2016.

Unavailable Property Tax Revenue - Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$78,088 (including 2<sup>nd</sup> ½ tax billings of \$46,356 not due until December 5) at June 30, 2016.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2016 but paid in advance by the taxpayers totaled \$8,110 at June 30, 2016.

### **NOTE 16—INTERGOVERNMENTAL AGREEMENT:**

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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 \$12,045 during fiscal year 2016 pursuant to the agreement.

### **NOTE 17—ADOPTION OF ACCOUNTING PRINCIPLES:**

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#### **Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application***

The Town implemented the provisions of the above Statement during the fiscal year ended June 30, 2016. The Statement generally requires investments to be measured at fair value. The Statement requires the Town to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or an income approach. The Statement establishes a hierarchy of inputs used to measure fair value. There was no material impact on the Town's financial statement as a result of the implementation of Statement No. 72. All required disclosures are located in Note 3.

#### **Governmental Accounting Standards Board Statement No. 79, *Certain External Investment Pools and Pool Participants***

The Town implemented the provisions of the above Statement during the fiscal year ended June 30, 2016. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. There was no material impact on the Town's financial statement as a result of the implementation of Statement No. 79. All required disclosures are located in Note 2.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

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**NOTE 17—ADOPTION OF ACCOUNTING PRINCIPLES: (CONTINUED)**

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**Governmental Accounting Standards Board Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73***

The Town early implemented provisions of the above Statement during the fiscal year ended June 30, 2016. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. No restatement was required as a result of this implementation.

**NOTE 18—SUBSEQUENT EVENTS:**

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In July 2016, Council authorized 2016A and 2016B General Obligation Notes through VML/VACo Finance Program in the amount of \$1,250,000 and \$320,000, respectively. The proceeds were used to pay off existing debt and to purchase a public works facility. In addition, work began on the Freight Depot project, which is to be funded by an 80% VDOT grant.

In November 2016, the Town purchased property for the public works facility and two adjacent residential homes. The contracts for these purchases totaled \$760,000. Council later adopted a lease agreement for rental of the two residential structures.

In December 2016, the Town reached a settlement agreement in the matter of an over-distribution of sales tax by Orange County. The Town has agreed to repay \$95,000 over a 10 year period, interest free.

**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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
General property taxes	\$ 190,030	\$ 190,030	\$ 183,270	\$ (6,760)
Other local taxes	554,500	554,500	599,653	45,153
Permits, privilege fees, and regulatory licenses	900	900	588	(312)
Fines and forfeitures	240,050	240,050	138,775	(101,275)
Revenue from the use of money and property	375,000	375,000	379,390	4,390
Miscellaneous	9,700	9,700	14,109	4,409
Intergovernmental:				
Commonwealth	114,200	114,200	115,661	1,461
Federal	2,182,000	2,182,000	1,260,948	(921,052)
Total revenues	<u>\$ 3,666,380</u>	<u>\$ 3,666,380</u>	<u>\$ 2,692,394</u>	<u>\$ (973,986)</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 364,170	\$ 374,715	\$ 346,396	\$ 28,319
Public safety	602,800	608,258	567,417	40,841
Public works	293,410	391,418	370,791	20,627
Health and welfare	4,100	4,100	4,312	(212)
Parks, recreation, and cultural	35,350	38,170	28,822	9,348
Community development	1,300	1,300	1,300	-
Capital projects	3,096,700	3,031,143	1,625,136	1,406,007
Debt service:				
Principal retirement	48,700	48,700	175,704	(127,004)
Interest and other fiscal charges	27,000	27,000	31,473	(4,473)
Total expenditures	<u>\$ 4,473,530</u>	<u>\$ 4,524,804</u>	<u>\$ 3,151,351</u>	<u>\$ 1,373,453</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (807,150)</u>	<u>\$ (858,424)</u>	<u>\$ (458,957)</u>	<u>\$ 399,467</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ -	\$ 50,237	\$ -	\$ (50,237)
Transfers out	(16,850)	(16,850)	-	16,850
Issuance of bonds	854,000	854,000	232,118	(621,882)
Total other financing sources (uses)	<u>\$ 837,150</u>	<u>\$ 887,387</u>	<u>\$ 232,118</u>	<u>\$ (655,269)</u>
Net change in fund balances	\$ 30,000	\$ 28,963	\$ (226,839)	\$ (255,802)
Fund balances - beginning	(30,000)	(30,000)	770,993	800,993
Fund balances - ending	<u>\$ -</u>	<u>\$ (1,037)</u>	<u>\$ 544,154</u>	<u>\$ 545,191</u>

Pool Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Charges for services	\$ 21,600	\$ 21,600	\$ 21,711	\$ 111
Miscellaneous	5,000	5,000	3,240	(1,760)
Total revenues	<u>\$ 26,600</u>	<u>\$ 26,600</u>	<u>\$ 24,951</u>	<u>\$ (1,649)</u>
<b>EXPENDITURES</b>				
Current:				
Parks, recreation, and cultural	\$ 43,450	\$ 43,950	\$ 41,746	\$ 2,204
Total expenditures	<u>\$ 43,450</u>	<u>\$ 43,950</u>	<u>\$ 41,746</u>	<u>\$ 2,204</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (16,850)</u>	<u>\$ (17,350)</u>	<u>\$ (16,795)</u>	<u>\$ 555</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 16,850	\$ 17,350	\$ -	\$ (17,350)
Total other financing sources (uses)	<u>\$ 16,850</u>	<u>\$ 17,350</u>	<u>\$ -</u>	<u>\$ (17,350)</u>
Net change in fund balances	\$ -	\$ -	\$ (16,795)	\$ (16,795)
Fund balances - beginning	-	-	56,623	56,623
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,828</u>	<u>\$ 39,828</u>



Schedule of Components of and Changes in Net Pension Liability and Related Ratios  
 Virginia Retirement System  
 For the Year Ended June 30, 2016

	<u>2015</u>	<u>2014</u>
<b>Total pension liability</b>		
Service cost	\$ 69,845	\$ 73,034
Interest	71,368	64,493
Differences between expected and actual experience	197	-
Benefit payments, including refunds of employee contributions	(44,053)	(34,594)
<b>Net change in total pension liability</b>	<b>\$ 97,357</b>	<b>\$ 102,933</b>
<b>Total pension liability - beginning</b>	<b>1,041,565</b>	<b>938,632</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 1,138,922</b>	<b>\$ 1,041,565</b>
<b>Plan fiduciary net position</b>		
Contributions - employer	\$ 46,261	\$ 54,881
Contributions - employee	32,323	30,927
Net investment income	48,238	135,910
Benefit payments, including refunds of employee contributions	(44,053)	(34,594)
Administrative expense	(613)	(682)
Other	(9)	7
<b>Net change in plan fiduciary net position</b>	<b>\$ 82,147</b>	<b>\$ 186,449</b>
<b>Plan fiduciary net position - beginning</b>	<b>1,020,170</b>	<b>833,721</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 1,102,317</b>	<b>\$ 1,020,170</b>
<b>Town's net pension liability - ending (a) - (b)</b>	<b>\$ 36,605</b>	<b>\$ 21,395</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>96.79%</b>	<b>97.95%</b>
<b>Covered payroll</b>	<b>\$ 646,575</b>	<b>\$ 620,712</b>
<b>Town's net pension liability as a percentage of covered payroll</b>	<b>5.66%</b>	<b>3.45%</b>

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

Schedule of Employer Contributions - Virginia Retirement System  
 For the Year Ended June 30, 2016

Date	Contributions in Relation to			Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)		
2016	\$ 70,801	\$ 70,801	\$ -	\$ 698,070	10.14%
2015	49,440	49,440	-	646,575	7.65%
2014	54,436	54,436	-	620,712	8.77%
2013	54,330	54,330	-	619,494	8.77%
2012	54,272	54,272	-	595,746	9.11%
2011	50,486	50,486	-	554,181	9.11%
2010	47,193	47,193	-	564,513	8.36%
2009	47,895	47,895	-	572,913	8.36%
2008	51,126	51,126	-	492,069	10.39%
2007	41,119	41,119	-	395,751	10.39%

Contributions are based on Town records.

Notes to Required Supplementary Information - Virginia Retirement System  
For the Year Ended June 30, 2016

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In 2015, Covered Employee Payroll (as defined by GASB 68) included the total payroll for employees covered under the pension plan whether that payroll is subject to pension coverage or not. This definition was modified in GASB Statement No. 82 and now is the payroll on which contributions to a pension plan are based. The ratios presented use the same measure.

**Changes of benefit terms** - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 are not material.

**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, 2016

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
<b>Maplewood Cemetery Fund:</b>				
Assets				
Cash and cash equivalents	\$ 416,178	\$ 27,780	\$ 30,303	\$ 413,655
Investments, at fair value:				
Corporate stocks	<u>29,271</u>	<u>7,997</u>	<u>-</u>	<u>37,268</u>
Total assets	<u>\$ 445,449</u>	<u>\$ 35,777</u>	<u>\$ 30,303</u>	<u>\$ 450,923</u>
Liabilities				
Amounts held for Maplewood Cemetery	<u>\$ 445,449</u>	<u>\$ 35,777</u>	<u>\$ 30,303</u>	<u>\$ 450,923</u>
<b>TOTALS - ALL AGENCY FUNDS:</b>				
Assets				
Cash and cash equivalents	\$ 416,178	\$ 27,780	\$ 30,303	\$ 413,655
Investments, at fair value:				
Corporate stocks	<u>29,271</u>	<u>7,997</u>	<u>-</u>	<u>37,268</u>
Total assets	<u>\$ 445,449</u>	<u>\$ 35,777</u>	<u>\$ 30,303</u>	<u>\$ 450,923</u>
Liabilities				
Amounts held for Maplewood Cemetery	<u>\$ 445,449</u>	<u>\$ 35,777</u>	<u>\$ 30,303</u>	<u>\$ 450,923</u>
Total liabilities	<u>\$ 445,449</u>	<u>\$ 35,777</u>	<u>\$ 30,303</u>	<u>\$ 450,923</u>

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## **Supporting Schedules**

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Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2016

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 108,700	\$ 108,700	\$ 111,490	\$ 2,790
Real and personal public service corporation taxes	4,000	4,000	3,941	(59)
Personal property taxes	67,000	67,000	58,069	(8,931)
Mobile home taxes	30	30	9	(21)
Machinery and tools taxes	300	300	3,389	3,089
Penalties	5,300	5,300	3,776	(1,524)
Interest and other fees	4,700	4,700	2,596	(2,104)
Total general property taxes	<u>\$ 190,030</u>	<u>\$ 190,030</u>	<u>\$ 183,270</u>	<u>\$ (6,760)</u>
Other local taxes:				
Local sales and use taxes	\$ 70,000	\$ 70,000	\$ 77,939	\$ 7,939
Consumers' utility taxes	29,000	29,000	29,448	448
Cigarette taxes	26,000	26,000	22,500	(3,500)
Business license taxes	96,500	96,500	95,838	(662)
Motor vehicle licenses	26,000	26,000	22,548	(3,452)
Bank stock taxes	12,000	12,000	7,699	(4,301)
Refund of bank stock taxes	(5,000)	(5,000)	-	5,000
Restaurant food taxes	300,000	300,000	343,681	43,681
Total other local taxes	<u>\$ 554,500</u>	<u>\$ 554,500</u>	<u>\$ 599,653</u>	<u>\$ 45,153</u>
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	\$ 900	\$ 900	\$ 588	\$ (312)
Total permits, privilege fees, and regulatory licenses	<u>\$ 900</u>	<u>\$ 900</u>	<u>\$ 588</u>	<u>\$ (312)</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 240,000	\$ 240,000	\$ 138,775	\$ (101,225)
Other fines	50	50	-	(50)
Total fines and forfeitures	<u>\$ 240,050</u>	<u>\$ 240,050</u>	<u>\$ 138,775</u>	<u>\$ (101,275)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 7,500	\$ 7,500	\$ 8,177	\$ 677
Revenue from use of property	367,500	367,500	371,213	3,713
Total revenue from use of money and property	<u>\$ 375,000</u>	<u>\$ 375,000</u>	<u>\$ 379,390</u>	<u>\$ 4,390</u>
Miscellaneous:				
Miscellaneous	\$ 9,700	\$ 9,700	\$ 14,109	\$ 4,409
Total revenue from local sources	<u>\$ 1,370,180</u>	<u>\$ 1,370,180</u>	<u>\$ 1,315,785</u>	<u>\$ (54,395)</u>

Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2016 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock taxes	\$ 1,000	\$ 1,000	\$ 996	\$ (4)
Communication taxes	28,500	28,500	29,471	971
Personal property tax relief funds	33,700	33,700	33,719	19
Total noncategorical aid	<u>\$ 63,200</u>	<u>\$ 63,200</u>	<u>\$ 64,186</u>	<u>\$ 986</u>
Categorical aid:				
Other categorical aid:				
599 Funding	\$ 37,500	\$ 37,500	\$ 37,548	\$ 48
Litter control grant	3,500	3,500	3,927	427
Fire programs fund	10,000	10,000	10,000	-
Total other categorical aid	<u>\$ 51,000</u>	<u>\$ 51,000</u>	<u>\$ 51,475</u>	<u>\$ 475</u>
Total revenue from the Commonwealth	<u>\$ 114,200</u>	<u>\$ 114,200</u>	<u>\$ 115,661</u>	<u>\$ 1,461</u>
Revenue from the federal government:				
Categorical aid:				
TEA-21 Depot Grant	\$ 182,000	\$ 182,000	\$ -	\$ (182,000)
TEA-21 Streetscape grant	2,000,000	2,000,000	1,260,948	(739,052)
Total categorical aid	<u>\$ 2,182,000</u>	<u>\$ 2,182,000</u>	<u>\$ 1,260,948</u>	<u>\$ (921,052)</u>
Total revenue from the federal government	<u>\$ 2,182,000</u>	<u>\$ 2,182,000</u>	<u>\$ 1,260,948</u>	<u>\$ (921,052)</u>
Total General Fund	<u><u>\$ 3,666,380</u></u>	<u><u>\$ 3,666,380</u></u>	<u><u>\$ 2,692,394</u></u>	<u><u>\$ (973,986)</u></u>
<b>Special Revenue Fund:</b>				
<b>Pool Fund:</b>				
Revenue from local sources:				
Charges for services:				
Charges for open swim	\$ 8,000	\$ 8,000	\$ 9,939	\$ 1,939
Charges for swim lessons	4,000	4,000	4,321	321
Charges for concessions	4,000	4,000	2,813	(1,187)
Charges for private rentals	1,500	1,500	390	(1,110)
Charges for swim team	4,100	4,100	4,248	148
Total charges for services	<u>\$ 21,600</u>	<u>\$ 21,600</u>	<u>\$ 21,711</u>	<u>\$ 111</u>
Miscellaneous:				
Donations	\$ 5,000	\$ 5,000	\$ 3,240	\$ (1,760)
Total miscellaneous	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 3,240</u>	<u>\$ (1,760)</u>
Total revenue from local sources	<u>\$ 26,600</u>	<u>\$ 26,600</u>	<u>\$ 24,951</u>	<u>\$ (1,649)</u>
Total Pool Fund	<u><u>\$ 26,600</u></u>	<u><u>\$ 26,600</u></u>	<u><u>\$ 24,951</u></u>	<u><u>\$ (1,649)</u></u>
Total Primary Government	<u><u>\$ 3,692,980</u></u>	<u><u>\$ 3,692,980</u></u>	<u><u>\$ 2,717,345</u></u>	<u><u>\$ (975,635)</u></u>

Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2016

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund:</b>				
General government administration:				
Legislative:				
Town Council	\$ 19,170	\$ 19,170	\$ 16,854	\$ 2,316
General and financial administration:				
Administration	\$ 225,450	\$ 224,462	\$ 198,801	\$ 25,661
Town attorney	18,400	18,400	16,056	2,344
Treasurer	101,150	112,683	114,685	(2,002)
Total general and financial administration	\$ 345,000	\$ 355,545	\$ 329,542	\$ 26,003
Total general government administration	\$ 364,170	\$ 374,715	\$ 346,396	\$ 28,319
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 585,750	\$ 586,816	\$ 547,252	\$ 39,564
Asset forfeiture	-	4,392	1,186	3,206
Total law enforcement and traffic control	\$ 585,750	\$ 591,208	\$ 548,438	\$ 42,770
Fire and rescue services:				
Volunteer fire department	\$ 17,050	\$ 17,050	\$ 18,979	\$ (1,929)
Total fire and rescue services	\$ 17,050	\$ 17,050	\$ 18,979	\$ (1,929)
Total public safety	\$ 602,800	\$ 608,258	\$ 567,417	\$ 40,841
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 239,410	\$ 243,978	\$ 219,896	\$ 24,082
Sanitation and waste removal:				
Refuse collection	\$ 48,000	\$ 48,000	\$ 49,372	\$ (1,372)
Refuse disposal	2,500	2,500	4,169	(1,669)
Litter control	3,500	3,500	3,914	(414)
Clerk of the Works	-	93,440	93,440	-
Total sanitation and waste removal	\$ 54,000	\$ 147,440	\$ 150,895	\$ (3,455)
Total public works	\$ 293,410	\$ 391,418	\$ 370,791	\$ 20,627
Health and welfare:				
Welfare:				
Property tax relief for the elderly and handicapped	\$ 2,400	\$ 2,400	\$ 2,612	\$ (212)
Piedmont Regional Dental Clinic	500	500	500	-
Other	1,200	1,200	1,200	-
Total welfare	\$ 4,100	\$ 4,100	\$ 4,312	\$ (212)
Total health and welfare	\$ 4,100	\$ 4,100	\$ 4,312	\$ (212)

Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2016 (Continued)

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Parks, recreation, and cultural:				
Parks and recreation:				
Gordonsville little league	\$ 2,000	\$ 2,000	\$ 1,244	\$ 756
Total parks and recreation	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ 1,244</u>	<u>\$ 756</u>
Cultural enrichment:				
Historic Gordonsville	\$ 2,250	\$ 2,250	\$ 2,250	\$ -
Visitor's Center	30,600	33,420	25,328	8,092
The Journey through Hollowed Ground	500	500	-	500
Total cultural enrichment	<u>\$ 33,350</u>	<u>\$ 36,170</u>	<u>\$ 27,578</u>	<u>\$ 8,592</u>
Total parks, recreation, and cultural	<u>\$ 35,350</u>	<u>\$ 38,170</u>	<u>\$ 28,822</u>	<u>\$ 9,348</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	\$ -	\$ 24,300	\$ 5,171	\$ 19,129
Public works facility	354,000	354,000	894	353,106
Police department vehicles	30,000	30,000	-	30,000
Streetscape - Town	500,000	481,312	326,448	154,864
Streetscape - VDOT	2,000,000	1,925,248	1,282,435	642,813
Depot - Town	21,900	25,483	4,908	20,575
Depot - VDOT	182,000	182,000	-	182,000
Public works vehicles and equipment	8,800	8,800	5,280	3,520
Total capital projects	<u>\$ 3,096,700</u>	<u>\$ 3,031,143</u>	<u>\$ 1,625,136</u>	<u>\$ 1,406,007</u>
Debt service:				
Principal retirement	\$ 48,700	\$ 48,700	\$ 175,704	\$ (127,004)
Interest and other fiscal charges	27,000	27,000	31,473	(4,473)
Total debt service	<u>\$ 75,700</u>	<u>\$ 75,700</u>	<u>\$ 207,177</u>	<u>\$ (131,477)</u>
Total General Fund	<u>\$ 4,473,530</u>	<u>\$ 4,524,804</u>	<u>\$ 3,151,351</u>	<u>\$ 1,373,453</u>
<b>Special Revenue Fund:</b>				
<b>Pool Fund:</b>				
Parks and Recreation:				
Swimming Pool	\$ 43,450	\$ 43,950	\$ 41,746	\$ 2,204
Total Pool Fund	<u>\$ 43,450</u>	<u>\$ 43,950</u>	<u>\$ 41,746</u>	<u>\$ 2,204</u>
Total Primary Government	<u>\$ 4,516,980</u>	<u>\$ 4,568,754</u>	<u>\$ 3,193,097</u>	<u>\$ 1,375,657</u>

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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## 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*

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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, 2016, 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 May 2, 2017.

### 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses (reference 2016-001).

## 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  
May 2, 2017



# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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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 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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town 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, 2016.

## 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Robinson, Fawcett, Cox Associates*  
Charlottesville, Virginia  
May 2, 2017

TOWN OF GORDONSVILLE, VIRGINIA

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2016

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>1,260,948</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, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). 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.

Note 3 - Subrecipients

No awards were passed through to subrecipients.

TOWN OF GORDONSVILLE, VIRGINIA

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2016

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**SECTION I - SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
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 2 CFR Section 200.516(a)?	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:	\$750,000
Auditee qualified as low-risk auditee?	No

**SECTION II - FINANCIAL STATEMENT FINDINGS**

**2016-001 - Inadequate design of internal control**

**Criteria:**

Internal controls should be designed so that routine tasks are performed during periods of employee leave or in the event of turnover. This is accomplished by cross-training employees throughout the organization.

**Condition:**

The Treasurer resigned in late May 2016 requiring other employees to perform her duties while the vacancy was filled. Other employees had not been cross-trained on these duties and there was no formal document outlining daily procedures, which left the department vulnerable.

TOWN OF GORDONSVILLE, VIRGINIA

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2016 (Continued)

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**SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)**

**2016-001 - Inadequate design of internal control (continued)**

**Cause of Condition:**

Although the Treasurer had been in the department for more than 15 years, her office had experienced turnover in recent years. The department had focused resources on correcting system interface issues and other areas, but had not cross-trained with the Treasurer. The Treasurer could step in and perform duties of her staff but the Senior Deputy was not cross-trained to perform the Treasurer's duties.

**Effect of Condition:**

Financial duties were not performed timely or completely. Certain review procedures did not take place and the department was ultimately left with no segregation of duties due to further staff turnover after year-end.

**Recommendation:**

A formal document detailing routine financial duties should be created and maintained. In addition, cross-training of all positions should be established.

**Views of Responsible Officials:**

Management is working to improve internal controls and anticipates implementing policies to address this finding. In addition, staff in the department is scheduled to receive training on the accounting system and cross-training after learning their own duties.

**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, 2015.

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