TOWN OF GORDONSVILLE, VIRGINIA

Annual Financial Report
For the Year Ended June 30, 2017

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TOWN OF GORDONSVILLE, VIRGINIA

Annual Financial Report
For the Year Ended June 30, 2017

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TOWN OF GORDONSVILLE, VIRGINIA

Town Council

Robert K. Coiner, Mayor

Emily Winkey, Vice Mayor

James Bradley

Chris Colby

Elizabeth Samara

Officials

Deborah S. Kendall, Town Manager

Angela Scolforo, Town Attorney

Dawn Rigsby, Town Treasurer

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Town of Gordonsville, Virginia, as of and for the year ended June 30, 2017, 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, 2017, 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.

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 information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is 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 January 30, 2018, 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, Farmer, Cox Associates

Charlottesville, Virginia
January 30, 2018

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Basic Financial Statements

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Government-wide Financial Statements

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TOWN OF GORDONSVILLE, VIRGINIA

Exhibit 1

Statement of Net Position
June 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 763,274	$ 1,682,892	$ 2,446,166
Certificate of deposit	400,000	-	400,000
Receivables, net of allowance for uncollectibles:			
Taxes receivable	73,883	-	73,883
Accounts receivable	39,348	92,580	131,928
Due from other governmental units	161,141	-	161,141
Prepaid items	1,620	180	1,800
Restricted assets:			
Cash held for customer deposits	750	39,406	40,156
Capital assets, net of accumulated depreciation:			
Land	423,818	206,526	630,344
Construction in progress	2,750,799	-	2,750,799
Land improvements	25,684	-	25,684
Buildings and improvements	699,511	435,508	1,135,019
Infrastructure	223,839	1,497,119	1,720,958
Machinery, equipment and vehicles	113,450	99,057	212,507
Total assets	$ 5,677,117	$ 4,053,268	$ 9,730,385
DEFERRED OUTLFOWS OF RESOURCES			
Pension contributions subsequent to measurement date	$ 43,788	$ 12,445	$ 56,233
Difference between actual and expected pension experience	16,176	4,593	20,769
Difference between projected and actual pension earnings	22,471	7,047	29,518
Change in pension proportion	-	960	960
Total deferred outflows of resources	$ 82,435	$ 25,045	$ 107,480
LIABILITIES			
Accounts payable	$ 41,971	$ 41,322	$ 83,293
Contracts payable	100,836	-	100,836
Accrued liabilities	61,355	8,804	70,159
Retainage payable	123,437	-	123,437
Customers' deposits payable from restricted assets	750	39,406	40,156
Accrued interest payable	5,062	3,245	8,307
Unearned revenue	222,927	-	222,927
Long-term liabilities:			
Due within one year	82,222	47,020	129,242
Due in more than one year	1,767,427	528,109	2,295,536
Total liabilities	$ 2,405,987	$ 667,906	$ 3,073,893
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property taxes	$ 55,962	$ -	$ 55,962
Change in pension proportion	960	-	960
Total deferred inflows of resources	$ 56,922	$ -	$ 56,922
NET POSITION			
Net investment in capital assets	$ 2,675,166	$ 1,701,637	$ 4,376,803
Restricted:			
Pool improvements and activities	49,284	-	49,284
Unrestricted	572,193	1,708,770	2,280,963
Total net position	$ 3,296,643	$ 3,410,407	$ 6,707,050

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, 2017

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	$ 382,177	$ 1,197	$ -	$ -
Public safety	585,231	142,200	50,811	-
Public works	456,099	-	3,784	-
Health and welfare	4,253	-	-	-
Parks, recreation, and cultural	232,119	20,213	91,863	254,838
Community development	1,300	-	-	-
Interest on long-term debt	49,664	-	-	-
Total governmental activities	$ 1,710,843	$ 163,610	$ 146,458	$ 254,838
Business-type activities:				
Water and Sewer Fund	$ 1,054,647	$ 1,090,543	$ -	$ 316,670
Airport Fund	23,632	37,005	3,115	-
Total business-type activities	$ 1,078,279	$ 1,127,548	$ 3,115	$ 316,670
Total primary government	$ 2,789,122	$ 1,291,158	$ 149,573	$ 571,508
General revenues:				
General property taxes				
Local sales and use taxes				
Consumers' utility taxes				
Business license taxes				
Restaurant food taxes				
Other local taxes				
Unrestricted revenues from use of money and property				
Miscellaneous				
Grants and contributions not restricted to specific programs				
Total general revenues				
Change in net position				
Net position - beginning, as restated				
Net position - ending				

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

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
$ (380,980)		$ (380,980)
(392,220)		(392,220)
(452,315)		(452,315)
(4,253)		(4,253)
134,795		134,795
(1,300)		(1,300)
(49,664)		(49,664)
$ (1,145,937)		$ (1,145,937)
	$ 352,566	$ 352,566
	16,488	16,488
	$ 369,054	$ 369,054
$ (1,145,937)	$ 369,054	$ (776,883)
$ 181,435	$ -	$ 181,435
86,829	-	86,829
30,153	-	30,153
95,782	-	95,782
355,410	-	355,410
81,086	-	81,086
397,847	64,830	462,677
1,115	-	1,115
63,458	-	63,458
$ 1,293,115	$ 64,830	$ 1,357,945
$ 147,178	$ 433,884	$ 581,062
3,149,465	2,976,523	6,125,988
$ 3,296,643	$ 3,410,407	$ 6,707,050

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Fund Financial Statements

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TOWN OF GORDONSVILLE, VIRGINIA

Exhibit 3

Balance Sheet
Governmental Funds
June 30, 2017

	General Fund	Pool Fund	Total
ASSETS			
Cash and cash equivalents	$ 714,382	$ 48,892	$ 763,274
Certificate of deposit	400,000	-	400,000
Receivables, net of allowance for uncollectibles			
Taxes receivable	73,883	-	73,883
Accounts receivable	39,038	310	39,348
Due from other governmental units	161,141	-	161,141
Prepaid items	1,620	-	1,620
Restricted assets:			
Cash held for customer deposits	750	-	750
Total assets	$ 1,390,814	$ 49,202	$ 1,440,016
LIABILITIES			
Accounts payable	$ 39,683	$ 2,288	$ 41,971
Contracts payable	100,836	-	100,836
Accrued liabilities	55,780	5,575	61,355
Retainage payable	123,437	-	123,437
Customers' deposits	750	-	750
Unearned revenue	222,927	-	222,927
Total liabilities	$ 543,413	$ 7,863	$ 551,276
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	$ 77,579	$ -	$ 77,579
FUND BALANCES			
Nonspendable:			
Prepaids	$ 1,620	$ -	$ 1,620
Restricted:			
Pool capital donations	-	49,284	49,284
Committed:			
East Street project	22,000	-	22,000
Streetscape project	30,394	-	30,394
Public works facility	114,676	-	114,676
Unassigned	601,132	(7,945)	593,187
Total fund balances	$ 769,822	$ 41,339	$ 811,161
Total liabilities, deferred inflows of resources, and fund balances	$ 1,390,814	$ 49,202	$ 1,440,016

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, 2017

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds		$ 811,161
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	$ 423,818	
Construction in Progress	2,750,799	
Land improvements	25,684	
Buildings and improvements	699,511	
Infrastructure	223,839	
Machinery, equipment and vehicles	113,450	4,237,101
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		21,617
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.		43,788
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.		(960)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds and notes	$ (1,573,384)	
Settlement agreement	(85,500)	
Capital leases	(35,705)	
Compensated absences	(37,011)	
Net pension liability	(118,049)	
Deferred outflows - other than contributions	38,647	
Accrued interest payable	(5,062)	(1,816,064)
Net position of governmental activities		$ 3,296,643

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

TOWN OF GORDONSVILLE, VIRGINIA

Exhibit 5

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

	General Fund	Pool Fund	Total
REVENUES			
General property taxes	$ 183,440	$ -	$ 183,440
Other local taxes	649,260	-	649,260
Permits, privilege fees, and regulatory licenses	1,197	-	1,197
Fines and forfeitures	142,200	-	142,200
Revenue from the use of money and property	397,847	-	397,847
Charges for services	-	20,213	20,213
Miscellaneous	10,660	3,938	14,598
Intergovernmental:			
Commonwealth	116,002	-	116,002
Federal	254,838	-	254,838
Total revenues	$ 1,755,444	$ 24,151	$ 1,779,595
EXPENDITURES			
Current:			
General government administration	$ 339,962	$ -	$ 339,962
Public safety	552,504	-	552,504
Public works	415,136	-	415,136
Health and welfare	4,253	-	4,253
Parks, recreation, and cultural	41,665	41,490	83,155
Community development	1,300	-	1,300
Capital projects	746,794	-	746,794
Debt service:			
Principal retirement	756,015	-	756,015
Interest and other fiscal charges	39,492	-	39,492
Issuance costs	16,045	-	16,045
Total expenditures	$ 2,913,166	$ 41,490	$ 2,954,656
Excess (deficiency) of revenues over (under) expenditures	$ (1,157,722)	$ (17,339)	$ (1,175,061)
OTHER FINANCING SOURCES (USES)			
Transfers in	$ -	$ 18,850	$ 18,850
Transfers out	(18,850)	-	(18,850)
Issuance of bond anticipation notes	1,259,932	-	1,259,932
Issuance of capital lease	61,876	-	61,876
Donation related to PW facility and residences	80,430	-	80,430
Total other financing sources (uses)	$ 1,383,388	$ 18,850	$ 1,402,238
Net change in fund balances	$ 225,666	$ 1,511	$ 227,177
Fund balances - beginning	544,156	39,828	583,984
Fund balances - ending	$ 769,822	$ 41,339	$ 811,161

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, 2017

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds		$ 227,177
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	$ 578,399	
Depreciation	(71,452)	506,947
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.		(2,005)
The change in deferred inflows related to the measurement of the net pension liability is not reported in governmental funds.		26,271
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 and capital leases	$ (1,322,449)	
Settlement agreement annual payment	9,500	
Payment of principal	747,156	
Amortization of premium on issuance	7,082	(558,711)
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	$ 6,503	
Net pension liability	(88,345)	
Deferred outflows - pension contributions subsequent to measurement date	(7,977)	
Deferred outflows - other than contributions	38,524	
Accrued interest payable	(1,206)	(52,501)
Change in net position of governmental activities		$ 147,178

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

TOWN OF GORDONSVILLE, VIRGINIA

Exhibit 7

Statement of Net Position
Proprietary Funds
June 30, 2017

	Enterprise Funds		
	Water and Sewer Fund	Airport Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 1,662,100	$ 20,792	$ 1,682,892
Accounts receivable, net of allowance for uncollectibles	92,580	-	92,580
Prepaid expenses	180	-	180
Total current assets	$ 1,754,860	$ 20,792	$ 1,775,652
Noncurrent assets:			
Restricted assets:			
Cash held for customer deposits	$ 39,406	$ -	$ 39,406
Total restricted assets	$ 39,406	$ -	$ 39,406
Capital assets:			
Land	204,978	1,548	206,526
Buildings and improvements, net of accumulated depreciation	435,508	-	435,508
Infrastructure, net of accumulated depreciation	1,374,422	122,697	1,497,119
Machinery, equipment, and vehicles net of accumulated depreciation	99,057	-	99,057
Total capital assets	$ 2,113,965	$ 124,245	$ 2,238,210
Total noncurrent assets	$ 2,153,371	$ 124,245	$ 2,277,616
Total assets	$ 3,908,231	$ 145,037	$ 4,053,268
DEFERRED OUTFLOWS OF RESOURCES			
Pension contributions subsequent to measurement date	$ 12,445	$ -	$ 12,445
Difference between actual and expected pension experience	4,593	-	4,593
Difference between projected and actual pension earnings	7,047	-	7,047
Change in pension proportion	960	-	960
Total deferred outflows of resources	$ 25,045	$ -	$ 25,045
LIABILITIES			
Current liabilities:			
Accounts payable	$ 41,268	$ 54	$ 41,322
Accrued liabilities	8,804	-	8,804
Customers' deposits payable from restricted assets	39,406	-	39,406
Accrued interest payable	3,245	-	3,245
Compensated absences - current portion	501	-	501
Bonds and notes payable - current portion	42,028	-	42,028
Capital lease - current portion	4,491	-	4,491
Total current liabilities	$ 139,743	$ 54	$ 139,797
Noncurrent liabilities:			
Compensated absences - net of current portion	$ 4,504	$ -	$ 4,504
Bonds and notes payable - net of current portion	490,054	-	490,054
Net pension liability	33,551	-	33,551
Total noncurrent liabilities	$ 528,109	$ -	$ 528,109
Total liabilities	$ 667,852	$ 54	$ 667,906
NET POSITION			
Net investment in capital assets	$ 1,577,392	$ 124,245	$ 1,701,637
Unrestricted	1,688,032	20,738	1,708,770
Total net position	$ 3,265,424	$ 144,983	$ 3,410,407

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

TOWN OF GORDONSVILLE, VIRGINIA

Exhibit 8

Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2017

	Enterprise Funds		
	Water and Sewer Fund	Airport Fund	Total
OPERATING REVENUES			
Charges for services:			
Water revenues	$ 720,137	$ -	$ 720,137
Sewer revenues	343,424	-	343,424
Connection fees	8,339	-	8,339
Delinquent fees	7,500	-	7,500
Cut on fees	5,930	-	5,930
Hangar rentals	-	37,005	37,005
Miscellaneous	5,213	-	5,213
Total operating revenues	$ 1,090,543	$ 37,005	$ 1,127,548
OPERATING EXPENSES			
Water and water tests	$ 289,142	$ -	$ 289,142
Sewer	220,930	-	220,930
Salaries, wages, and benefits	267,053	-	267,053
Repairs and maintenance	34,468	5,078	39,546
Materials and supplies	21,471	9,131	30,602
Professional services	29,915	2,100	32,015
Telephone and utilities	7,785	1,909	9,694
Vehicle expenses	22,412	-	22,412
Other operating expenses	27,648	1,164	28,812
Depreciation	123,039	4,250	127,289
Total operating expenses	$ 1,043,863	$ 23,632	$ 1,067,495
Operating income (loss)	$ 46,680	$ 13,373	$ 60,053
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental revenue	$ -	$ 3,115	$ 3,115
Use of property	64,830	-	64,830
Interest expense	(10,784)	-	(10,784)
Total nonoperating revenues (expenses)	$ 54,046	$ 3,115	$ 57,161
Income before capital contributions	$ 100,726	$ 16,488	$ 117,214
Capital contributions	316,670	-	316,670
Change in net position	$ 417,396	$ 16,488	$ 433,884
Total net position - beginning, as restated	2,848,028	128,495	2,976,523
Total net position - ending	$ 3,265,424	$ 144,983	$ 3,410,407

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

TOWN OF GORDONSVILLE, VIRGINIA

Exhibit 9

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2017

	Enterprise Funds		
	Water and Sewer Fund	Airport Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	$ 1,066,659	$ 37,005	$ 1,103,664
Payments to suppliers	(626,395)	(19,328)	(645,723)
Payments to employees	(252,461)	-	(252,461)
Net cash provided by (used for) operating activities	$ 187,803	$ 17,677	$ 205,480
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Use of property	$ 64,830	$ -	$ 64,830
Intergovermental revenue	-	3,115	3,115
Net cash provided by (used for) noncapital financing activities	$ 64,830	$ 3,115	$ 67,945
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Additions to CIP and machinery and equipment	$ (309,344)	$ -	$ (309,344)
Principal payments on bonds	(36,800)	-	(36,800)
Principal payments on capital lease	(10,535)	-	(10,535)
Contributions in aid of construction	257,100	-	257,100
Proceeds from indebtedness	265,068	-	265,068
Interest payments	(16,857)	-	(16,857)
Net cash provided by (used for) capital and related financing activities	$ 148,632	$ -	$ 148,632
Net increase (decrease) in cash and cash equivalents	$ 401,265	$ 20,792	$ 422,057
Cash and cash equivalents - beginning (including restricted)	1,300,241	-	1,300,241
Cash and cash equivalents - ending (including restricted)	$ 1,701,506	$ 20,792	$ 1,722,298
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	$ 46,680	$ 13,373	$ 60,053
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation expense	$ 123,039	$ 4,250	$ 127,289
(Increase) decrease in:			
Accounts receivable	(26,419)	-	(26,419)
Pension contributions subsequent to measurement date	6,591	-	6,591
Other pension related deferred outflows	(11,320)	-	(11,320)
Increase (decrease) in:			
Customer deposits	2,535	-	2,535
Accounts payable	27,376	54	27,430
Accrued liabilities	(6,080)	-	(6,080)
Compensated absences	(1,249)	-	(1,249)
Net pension liability	26,650	-	26,650
Total adjustments	$ 141,123	$ 4,304	$ 145,427
Net cash provided by (used for) operating activities	$ 187,803	$ 17,677	$ 205,480
Noncash investing, capital, and financing activities:			
Contribution related to PW facility transaction	$ 59,570	$ -	$ 59,570

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

TOWN OF GORDONSVILLE, VIRGINIA

Exhibit 10

Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2017

	Agency Fund
ASSETS	
Cash and cash equivalents	$ 425,756
Investments, at fair value:	
Corporate stock	36,322
Total assets	$ 462,078
LIABILITIES	
Amounts held for Maplewood Cemetery	$ 462,078
Total liabilities	$ 462,078

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

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Narrative Profile

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

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

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

A. Financial Reporting Entity

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

The Treasurer is the fiscal agent of Maplewood Cemetery, so it is reported as an agency fund of the Town. The financial activities of the Maplewood Cemetery are excluded from the Town's government-wide statements for the following reasons:

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

B. Government-wide and Fund Financial Statements

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

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

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

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

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

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

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

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

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

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

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

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

The following is a brief description of the specific funds used by the Town in FY 2017.

1. *Governmental Funds:*

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

   a. *General Fund* - The General Fund is the primary operating fund of the Town. This fund is used to account for and report all financial resources except those required to be accounted for and reported in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for services, and interest income. The General Fund is considered a major fund for reporting purposes.

   b. *Special Revenue Fund* - Special revenue funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The only special revenue fund is the Pool Fund, which is considered a major fund.

2. *Proprietary Funds:*

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

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

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

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

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

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

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

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

D. Budgets and Budgetary Accounting

The Town Council annually adopts budgets for the various funds.

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

1. On or before April 1 of each year, the Town Manager submits to Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.

2. Public notice regarding the proposed budget is circulated in accordance with Virginia statute, and at least one public hearing is conducted at Town Hall to obtain taxpayer comments.

3. Prior to June 30, the budget is legally enacted through passage of an appropriation resolution. Town Council may approve supplemental appropriations.

4. The legal level of control is at the 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, Pool Fund, Water and Sewer Fund, and Airport Fund.

6. The budgets for these funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

7. A review of the presented budget comparisons herein will disclose how accurately Town Council was actually able to forecast the revenues and expenditures of the Town.

8. Appropriations lapse on June 30, unless carried forward by a resolution of Town Council.

9. Budgetary amounts as presented in the financial statements reflect budget revisions through June 30, 2017.

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

E. Expenditures and Appropriations

Expenditures did not exceed appropriations in any fund at June 30, 2017; however, public works and health and welfare functions and debt service exceeded appropriations by $111,319; $153, and $72,534, respectively, in the general fund.

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, 2017 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 $21,825 and $59,167, respectively at June 30, 2017.

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)

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, investment earnings, and changes in proportion related to pensions. 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 items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. The other is changes in proportion related to pensions.

L. Pensions

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

M. Accumulated Unpaid Vacation Pay and Other Employee Benefit Amounts

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

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

N. Long-Term Obligations

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

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

O. Use of Estimates

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

P. Net Position

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

Q. Net Position Flow Assumption

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

R. Fund Equity

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

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);

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

R. Fund Equity: (Continued)

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

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

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

Policy requires that the general and enterprise fund balance should equal not less than 10% of the budgeted expenditures for that fund plus an amount equal to the Town's prior debt expense for that fund. If unassigned fund balance is less than this amount, the deficit must be funded within 3 years, 1/3 each year. The general fund was not in compliance with this policy for fiscal year 2017.

S. Upcoming Pronouncements

Statement No. 84, Fiduciary Activities, establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

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

S. Upcoming Pronouncements: (Continued)

Statement No. 86, Certain Debt Extinguishment Issues, improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

Statement No. 87, Leases, increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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

NOTE 2—DEPOSITS AND INVESTMENTS:

Deposits

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

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).

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

Custodial Credit Risk (Investments)

The Town's investments at June 30, 2017 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, 2017 were rated by Standard & Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard & Poor's rating scale.

Rated Debt Investments	Ratings
	AAAm
Local Government Investment Pool	$ 1,168,286
Money market mutual funds	263,838
Total	$ 1,432,124

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	$ 1,168,286	$ 1,168,286
Money market mutual funds	263,838	263,838
Total	$ 1,432,124	$ 1,432,124

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:

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

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

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

The Town has the following recurring fair value measurements as of June 30, 2017:

		Fair Value Measurements Using		
Investment type	6/30/2017	Quoted Prices in Active Markets or Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Corporate Stock	$ 36,322	$ 36,322	$ -	$ -
Money Market Mutual Funds	263,838	263,838	-	-
Total	$ 300,160	$ 300,160	$ -	$ -

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 2017 were $.10 and $.99 per $100 of real estate and personal property assessed valuation, respectively.

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

NOTE 5—ACCOUNTS RECEIVABLE:

Accounts receivable are detailed as follows:

	Governmental Activities	Business-type Activities
Property taxes	$ 95,708	$ -
Meals taxes	36,130	-
Consumer utility taxes	2,084	-
Consumption taxes	377	-
Other	757	151,747
Total	$ 135,056	$ 151,747
Allowance for uncollectibles	(21,825)	(59,167)
Net receivables	$ 113,231	$ 92,580

NOTE 6—DUE FROM OTHER GOVERNMENTAL UNITS:

Amounts due from other governments are detailed as follows:

	Governmental Activities
Commonwealth of Virginia:	
Communication tax	$ 4,726
TEA-21 streetscape grant	97,919
TEA-21 VDOT grant	15,916
Other	988
County of Orange, Virginia:	
Local sales taxes	23,319
Circuit Court of Orange County, Virginia:	
Court fines	18,273
Total	$ 161,141

NOTE 7—CAPITAL ASSETS:

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

Governmental Activities:	(As Restated) Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Capital assets not being depreciated:				
Land	$ 220,900	$ 202,918	$ -	$ 423,818
Construction in progress	2,747,354	319,653	316,208	2,750,799
Total capital assets not being depreciated	$ 2,968,254	$ 522,571	$ 316,208	$ 3,174,617
Other capital assets:				
Land improvements	$ 124,591	$ -	$ -	$ 124,591
Buildings and improvements	920,176	245,225	-	1,165,401
Infrastructure	257,246	64,839	-	322,085
Machinery, equipment and vehicles	252,358	61,972	-	314,330
Total other capital assets	$ 1,554,371	$ 372,036	$ -	$ 1,926,407
Accumulated depreciation:				
Land improvements	$ 95,444	$ 3,463	$ -	$ 98,907
Buildings and improvements	436,619	29,271	-	465,890
Infrastructure	91,004	7,242	-	98,246
Machinery, equipment and vehicles	169,404	31,476	-	200,880
Total accumulated depreciation	$ 792,471	$ 71,452	$ -	$ 863,923
Other capital assets, net	$ 761,900	$ 300,584	$ -	$ 1,062,484
Net capital assets	$ 3,730,154	$ 823,155	$ 316,208	$ 4,237,101

Depreciation is allocated to:	
General government administration	$ 32,988
Public safety	11,582
Public works	21,894
Parks, Recreation, and Cultural	4,988
Total	$ 71,452

NOTE 7—CAPITAL ASSETS: (CONTINUED)

Business-type Activities:	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Water and Sewer Fund				
Capital assets not being depreciated:				
Land	$ 31,833	$ 173,145	$ -	$ 204,978
Construction in progress	10,316	361,889	372,205	-
Total capital assets not being depreciated	$ 42,149	$ 535,034	$ 372,205	$ 204,978
Other capital assets:				
Buildings and improvements	$ 628,279	$ 162,597	$ -	$ 790,876
Infrastructure	2,914,972	36,463	-	2,951,435
Machinery, equipment and vehicles	288,307	7,025	-	295,332
Total other capital assets	$ 3,831,558	$ 206,085	$ -	$ 4,037,643
Accumulated depreciation:				
Buildings and improvements	$ 336,757	$ 18,611	$ -	$ 355,368
Infrastructure	1,505,136	71,877	-	1,577,013
Machinery, equipment and vehicles	163,724	32,551	-	196,275
Total accumulated depreciation	$ 2,005,617	$ 123,039	$ -	$ 2,128,656
Other capital assets, net	$ 1,825,941	$ 83,046	$ -	$ 1,908,987
Net capital assets	$ 1,868,090	$ 618,080	$ 372,205	$ 2,113,965
Depreciation is allocated to:				
Water and sewer operations		$ 123,039		

NOTE 7—CAPITAL ASSETS: (CONTINUED)

Business-type Activities:	(As Restated) Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Airport Fund				
Capital assets not being depreciated:				
Land	$ 1,548	$ -	$ -	$ 1,548
Total capital assets not being depreciated	$ 1,548	$ -	$ -	$ 1,548
Other capital assets:				
Infrastructure	$ 169,988	$ -	$ -	$ 169,988
Total other capital assets	$ 169,988	$ -	$ -	$ 169,988
Accumulated depreciation:				
Infrastructure	$ 43,041	$ 4,250	$ -	$ 47,291
Total accumulated depreciation	$ 43,041	$ 4,250	$ -	$ 47,291
Other capital assets, net	$ 126,947	$ (4,250)	$ -	$ 122,697
Net capital assets	$ 128,495	$ (4,250)	$ -	$ 124,245
Depreciation is allocated to:				
Water and sewer operations		$ 4,250		

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 $37,011 in governmental activities (funded by the General Fund) and $5,005 in the Water and Sewer Fund.

NOTE 9—LONG-TERM OBLIGATIONS:

The following is a summary of long-term obligations of the Town for the year ended June 30, 2017.

	Balance July 1, 2016	Issuances/ Increases	Retirements/ Decreases	Balance June 30, 2017
Long-term liabilities payable from governmental activities:				
Bond	$ 334,800	$ -	$ 43,200	$ 291,600
GO Bonds and Notes	662,118	1,259,932	662,118	1,259,932
Premium on Bond	28,934	-	7,082	21,852
Settlement Agreement - Orange County	95,000	-	9,500	85,500
Capital leases	15,026	61,876	41,197	35,705
Net pension liability	29,704	188,912	100,567	118,049
Compensated absences	43,514	-	6,503	37,011
Total from governmental activities	$ 1,209,096	$ 1,510,720	$ 870,167	$ 1,849,649
Long-term liabilities payable from business-type activities:				
Bonds	$ 285,200	$ -	$ 36,800	$ 248,400
GO Bonds and Notes	-	265,068	-	265,068
Premium on Bonds	24,648	-	6,034	18,614
Capital leases	15,026	-	10,535	4,491
Net pension liability	6,901	54,891	28,241	33,551
Compensated absences	6,254	-	1,249	5,005
Total from business-type activities	$ 338,029	$ 319,959	$ 82,859	$ 575,129
Total long-term obligations	$ 1,547,125	$ 1,830,679	$ 953,026	$ 2,424,778

Reconciliation to Exhibit 1:	
Long-term liabilities:	
Due within one year	$ 129,242
Due in more than one year	2,295,536
Total long-term liabilities	$ 2,424,778

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 Notes 2016/2016A $1,525,000		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	$ 80,000	$ 23,200	$ -	$ 31,720	$ 80,000	$ 54,920
2019	80,000	19,775	-	31,720	80,000	51,495
2020	85,000	16,397	1,525,000	2,643	1,610,000	19,040
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	$ 540,000	$ 82,519	$ 1,525,000	$ 66,083	$ 2,065,000	$ 148,602

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

Year Ended June 30,	Backhoe $100,260		Police Cars $62,517		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	$ 8,981	$ 72	$ 15,193	$ 1,701	$ 24,174	$ 1,773
2019	-	-	16,021	873	16,021	873
Totals	$ 8,981	$ 72	$ 31,214	$ 2,574	$ 40,195	$ 2,646

In addition, the Town used the proceeds of a short-term loan in FY16 to refinance long-term debt. There was no remaining balance at June 30, 2017.

	Balance July 1, 2016	Issuances	Retirements	Balance June 30, 2017
Short-term loan	$ 1,062,882	$ -	$ 1,062,882	$ -

NOTE 9—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-term Indebtedness:

	Total Amount Outstanding	Amount Due Within One Year
Governmental Activities:		
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.	$ 291,600	$ 43,200
Premium on Issuance	$ 21,852	$ 6,137
Note:		
On July 28, 2016, the Town issued eneral Obligation Notes in the amount of $1,205,000 and $320,000 with interest at 2.07% and 2.37%, respectively, through 2020. Proceeds were used to purchase property for the public works facility, two residential properties and to pay off interim financing. 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, 2019 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. Proceeds have been allocated 83% to the general fund and 17% to the water and sewer fund.	$ 1,259,932	$ -
Total bonds and notes payable	$ 1,573,384	$ 49,337
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.	$ 85,500	$ 9,500
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.	$ 4,491	$ 4,491

NOTE 9—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-term Indebtedness: (Continued)

	Total Amount Outstanding	Amount Due Within One Year
In July 2016, the Town entered into a long-term lease through June, 2019 to finance the purchase of two police vehicles. This lease provides for annual payments in the amount of $16,894, which includes principal and interest. Interest is charged at a rate of 5.45%. The vehicles were capitalized in the amount of $61,972.	$ 31,214	$ 15,193
Total capital leases	$ 35,705	$ 19,684
Net pension liability	$ 118,049	$ -
Compensated absences	$ 37,011	$ 3,701
Total long-term obligations from governmental activities	$ 1,849,649	$ 82,222
Business-type Activities:		
Bonds and Notes:		
Payments on the $905,000 bond described above are allocated 46% to the water and sewer fund.	$ 248,400	$ 36,800
Payments on the 2016 bonds described above are allocated 17% to the water and sewer fund.	$ 265,068	$ -
Total bonds and notes payable	$ 513,468	$ 36,800
Premium on Issuance	$ 18,614	$ 5,228
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.	$ 4,491	$ 4,491
Net pension liability	$ 33,551	$ -
Compensated absences	$ 5,005	$ 501
Total long-term obligations from business-type activities	$ 575,129	$ 47,020

NOTE 10—LEASE AND RELATED AGREEMENTS:

Lease of Land

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

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

Rent revenue under the contract totals approximately $232,000 per year, not including miscellaneous charges. For the fiscal year ended June 30, 2017, rent and miscellaneous charges totaled $375,667.

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. The fiscal year 2017 payment was not made until November 2017.

NOTE 11—PENSION PLAN:

Plan Description

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

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:

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.	**About Plan 2** Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.	**About the Hybrid Retirement Plan** The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members") • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

NOTE 11—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1 (Cont.)	About Plan 2 (Cont.)	About the Hybrid Retirement Plan (Cont.) • 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.
Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013. **Hybrid Opt-In Election** VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	**Eligible Members** Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013. **Hybrid Opt-In Election** Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	**Eligible Members** Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. ***Non-Eligible Members** Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

NOTE 11—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

NOTE 11—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

NOTE 11—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.	**Vesting** Same as Plan 1.	**Vesting** **Defined Benefit Component:** 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. 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. **Defined Contributions Component:** 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. Members are always 100% vested in the contributions that they make.

NOTE 11—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting (Cont.)	**Vesting (Cont.)**	**Vesting (Cont.)** **Defined Contributions Component: (Cont.)** 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. • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.	**Calculating the Benefit** See definition under Plan 1.	**Calculating the Benefit** **Defined Benefit Component:** See definition under Plan 1

NOTE 11—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

NOTE 11—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

NOTE 11—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Earliest Reduced Retirement Eligibility (Cont.) **Political subdivisions hazardous duty employees:** 50 with at least five years of creditable service.	**Earliest Reduced Retirement Eligibility (Cont.)** **Political subdivisions hazardous duty employees:** Same as Plan 1.	**Earliest Reduced Retirement Eligibility (Cont.)** **Political subdivisions hazardous duty employees:** Not applicable. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%. **Eligibility:** 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. 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.	**Cost-of-Living Adjustment (COLA) in Retirement** The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%. **Eligibility:** Same as Plan 1.	**Cost-of-Living Adjustment (COLA) in Retirement** **Defined Benefit Component:** Same as Plan 2. **Defined Contribution Component:** Not applicable. **Eligibility:** Same as Plan 1 and Plan 2.

NOTE 11—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Cost-of-Living Adjustment (COLA) in Retirement (Cont.) **Exceptions to COLA Effective Dates:** The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.	**Cost-of-Living Adjustment (COLA) in Retirement (Cont.)** **Exceptions to COLA Effective Dates:** Same as Plan 1.	**Cost-of-Living Adjustment (COLA) in Retirement (Cont.)** **Exceptions to COLA Effective Dates:** Same as Plan 1 and Plan 2.

NOTE 11—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	**Disability Coverage** Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	**Disability Coverage** Employees of political subdivisions (including Plan 1 and Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. 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.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** **Defined Benefit Component:** Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. **Defined Contribution Component:** Not applicable.

NOTE 11—PENSION PLAN: (CONTINUED)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2016-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, 2015 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	4
Inactive members:	
Vested inactive members	3
Non-vested inactive members	5
Inactive members active elsewhere in VRS	9
Total inactive members	17
Active members	18
Total covered employees	39

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, 2017 was 8.87% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

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 $56,233 and $70,801 for the years ended June 30, 2017 and June 30, 2016, respectively.

NOTE 11—PENSION PLAN: (CONTINUED)

Net Pension Liability

The Town's net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

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, 2015, 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, 2016.

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

NOTE 11—PENSION PLAN: (CONTINUED)

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, 2015 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, 2015, 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, 2016.

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.

NOTE 11—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - Public Safety Employees (Continued)

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

Largest 10 - Non-LEOS:
Pre-Retirement:
RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

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

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

All Others (Non 10 Largest) - Non-LEOS:
Pre-Retirement:
RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

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

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

The actuarial assumptions used in the June 30, 2015 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

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%.

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, 2015	$ 1,138,922	$ 1,102,317	$ 36,605
Changes for the year:			
Service cost	$ 88,347	$ -	$ 88,347
Interest	77,652	-	77,652
Changes in benefit terms	50,110	-	50,110
Differences between expected and actual experience	25,841	-	25,841
Contributions - employer	-	70,801	(70,801)
Contributions - employee	-	34,569	(34,569)
Net investment income	-	22,237	(22,237)
Benefit payments, including refunds of employee contributions	(59,202)	(59,202)	-
Administrative expenses	-	(643)	643
Other changes	-	(9)	9
Net changes	$ 182,748	$ 67,753	$ 114,995
Balances at June 30, 2016	$ 1,321,670	$ 1,170,070	$ 151,600

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		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Town's Net Pension Liability (Asset)	$ 374,335	$ 151,600	$ (26,365)

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

For the year ended June 30, 2017, the Town recognized pension expense of $53,448. At June 30, 2017, 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	$ 20,769	$ -
Net difference between projected and actual earnings on pension plan investments	29,518	-
Changes in proportion	960	960
Employer contributions subsequent to the measurement date	56,233	-
Total	$ 107,480	$ 960

$56,233 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, 2018. 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	
2018	$ 6,244
2019	6,243
2020	21,373
2021	16,427
Thereafter	-

NOTE 12—CONTINGENT LIABILITIES:

At June 30, 2017 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:

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

	Contract Amount	Spent to Date	Balance of Contract
Streetscape Construction	$ 2,329,761	$ 2,201,110	$ 128,651
Depot Design	33,400	31,200	2,200
Depot Renovation	222,898	137,046	85,852
Total	2,586,059	2,369,356	216,703

NOTE 14—RISK MANAGEMENT:

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

NOTE 15—UNEARNED AND DEFERRED/UNAVAILABLE REVENUE:

	Government-wide Statements Governmental Activities	Balance Sheet Governmental Funds
Deferred/Unavailable Property Tax Revenue:		
Unavailable revenue representing uncollected property tax billings for which asset recognition criteria has not been met. The uncollected tax billings are not available for the funding of current expenditures.	$ -	$ 21,617
2nd half assessments due after June 30	48,868	48,868
Prepaid property taxes due after June 30 but paid in advance by taxpayers	7,094	7,094
Total deferred/unavailable revenue	$ 55,962	$ 77,579
Unearned revenue:		
Land lease	$ 222,927	$ 222,927

NOTE 16—INTERGOVERNMENTAL AGREEMENT:

In September 2007, the Town entered into a raw water storage basin agreement with the Town of Orange, Virginia. The agreement stipulates that the interest cost to Orange for the financing of the construction of the raw water storage basin will be borne by Gordonsville and Orange in proportion to the monthly amount each takes of the finished water produced by Orange. The agreement shall continue until payments are made for forty (40) years or until the bonds are paid off, whichever occurs first. The Town of Gordonsville made payments totaling $11,662 during fiscal year 2017 pursuant to the agreement.

NOTE 17—INTERFUND TRANSFERS:

During the year $18,850 was transferred from the general fund to the pool fund to support pool operations.

NOTE 18—RESTATEMENT OF NET POSITION:

In fiscal year 2017, the Town created a new fund to account for airport activity as an enterprise activity. This required a restatement of net position. Details of the restatement are as follows:

	Governmental Activities	Business-type Activities
Net position as reported at June 30, 2016	$ 3,240,261	$ 2,848,028
Creation of Airport Enterprise Fund - capital assets allocation	(126,947)	126,947
Land not previously reported	36,151	1,548
Net position as restated at July 1, 2016	$ 3,149,465	$ 2,976,523

NOTE 19—SUBSEQUENT EVENTS:

In October 2017, the Town entered into a contract with Talbert & Bright for engineering services at the Gordonsville Municipal Airport.

In December 2017, the Town entered into a contract with Revize for website design services.

Required Supplementary Information

General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	$ 186,425	$ 186,425	$ 183,440	$ (2,985)
Other local taxes	546,000	546,000	649,260	103,260
Permits, privilege fees, and regulatory licenses	1,000	1,000	1,197	197
Fines and forfeitures	200,000	200,000	142,200	(57,800)
Revenue from the use of money and property	389,900	389,902	397,847	7,945
Miscellaneous	8,650	8,650	10,660	2,010
Intergovernmental:				
Commonwealth	114,600	114,600	116,002	1,402
Federal	182,000	327,552	254,838	(72,714)
Total revenues	$ 1,628,575	$ 1,774,129	$ 1,755,444	$ (18,685)
EXPENDITURES				
Current:				
General government administration	$ 345,010	$ 364,052	$ 339,962	$ 24,090
Public safety	594,570	595,668	552,504	43,164
Public works	275,310	303,817	415,136	(111,319)
Health and welfare	4,100	4,100	4,253	(153)
Parks, recreation, and cultural	51,100	54,832	41,665	13,167
Community development	1,300	1,300	1,300	-
Capital projects	544,200	998,678	746,794	251,884
Debt service:				
Principal retirement	68,600	700,718	756,015	(55,297)
Interest and other fiscal charges	22,800	22,800	39,492	(16,692)
Issuance costs	-	15,500	16,045	(545)
Total expenditures	$ 1,906,990	$ 3,061,465	$ 2,913,166	$ 148,299
Excess (deficiency) of revenues over (under) expenditures	$ (278,415)	$ (1,287,336)	$ (1,157,722)	$ 129,614
OTHER FINANCING SOURCES (USES)				
Transfers out	$ (18,850)	$ (18,850)	$ (18,850)	$ -
Issuance of bond anticipation notes	354,000	489,589	1,259,932	770,343
Issuance of capital lease	-	-	61,876	61,876
Donation related to PW facility and residences	-	80,430	80,430	-
Total other financing sources (uses)	$ 335,150	$ 551,169	$ 1,383,388	$ 832,219
Net change in fund balances	$ 56,735	$ (736,167)	$ 225,666	$ 961,833
Fund balances - beginning	(56,735)	736,167	544,156	(192,011)
Fund balances - ending	$ -	$ -	$ 769,822	$ 769,822

TOWN OF GORDONSVILLE, VIRGINIA

Exhibit 12

Pool Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	$ 20,100	$ 20,100	$ 20,213	$ 113
Miscellaneous	4,700	4,700	3,938	(762)
Total revenues	$ 24,800	$ 24,800	$ 24,151	$ (649)
EXPENDITURES				
Current:				
Parks, recreation, and cultural	$ 43,650	$ 43,650	$ 41,490	$ 2,160
Total expenditures	$ 43,650	$ 43,650	$ 41,490	$ 2,160
Excess (deficiency) of revenues over (under) expenditures	$ (18,850)	$ (18,850)	$ (17,339)	$ 1,511
OTHER FINANCING SOURCES (USES)				
Transfers in	$ 18,850	$ 18,850	$ 18,850	$ -
Total other financing sources (uses)	$ 18,850	$ 18,850	$ 18,850	$ -
Net change in fund balances	$ -	$ -	$ 1,511	$ 1,511
Fund balances - beginning	-	-	39,828	39,828
Fund balances - ending	$ -	$ -	$ 41,339	$ 41,339

Schedule of Changes in Net Pension Liability and Related Ratios
Virginia Retirement System
For the Years Ended June 30, 2015 through June 30, 2017

	2016	2015	2014
Total pension liability			
Service cost	$ 88,347	$ 69,845	$ 73,034
Interest	77,652	71,368	64,493
Changes in benefit terms	50,110	-	-
Differences between expected and actual experience	25,841	197	-
Benefit payments, including refunds of employee contributions	(59,202)	(44,053)	(34,594)
Net change in total pension liability	$ 182,748	$ 97,357	$ 102,933
Total pension liability - beginning	1,138,922	1,041,565	938,632
Total pension liability - ending (a)	$ 1,321,670	$ 1,138,922	$ 1,041,565
Plan fiduciary net position			
Contributions - employer	$ 70,801	$ 46,261	$ 54,881
Contributions - employee	34,569	32,323	30,927
Net investment income	22,237	48,238	135,910
Benefit payments, including refunds of employee contributions	(59,202)	(44,053)	(34,594)
Administrative expense	(643)	(613)	(682)
Other	(9)	(9)	7
Net change in plan fiduciary net position	$ 67,753	$ 82,147	$ 186,449
Plan fiduciary net position - beginning	1,102,317	1,020,170	833,721
Plan fiduciary net position - ending (b)	$ 1,170,070	$ 1,102,317	$ 1,020,170
Town's net pension liability - ending (a) - (b)	$ 151,600	$ 36,605	$ 21,395
Plan fiduciary net position as a percentage of the total pension liability	88.53%	96.79%	97.95%
Covered payroll	$ 698,070	$ 646,575	$ 620,712
Town's net pension liability as a percentage of covered payroll	21.72%	5.66%	3.45%

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

Schedule of Employer Contributions - Virginia Retirement System
For the Years Ended June 30, 2008 through June 30, 2017

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2017	$ 56,233	$ 56,233	$ -	$ 651,297	8.63%
2016	70,801	70,801	-	698,070	10.14%
2015	49,440	49,440	-	646,575	7.65%
2014	54,436	54,436	-	620,712	8.77%
2013	54,330	54,330	-	619,494	8.77%
2012	54,272	54,272	-	595,746	9.11%
2011	50,486	50,486	-	554,181	9.11%
2010	47,193	47,193	-	564,513	8.36%
2009	47,895	47,895	-	572,913	8.36%
2008	51,126	51,126	-	492,069	10.39%

Contributions are based on Town records.

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 is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2016 is 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

Other Supplementary Information

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TOWN OF GORDONSVILLE, VIRGINIA

Exhibit 16

Statement of Changes in Assets and Liabilities
Agency Fund
For the Year Ended June 30, 2017

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Maplewood Cemetery Fund:				
Assets				
Cash and cash equivalents	$ 413,655	$ 45,838	$ 33,737	$ 425,756
Investments, at fair value:				
Corporate stock	37,268	364	1,310	36,322
Total assets	$ 450,923	$ 46,202	$ 35,047	$ 462,078
Liabilities				
Amounts held for Maplewood Cemetery	$ 450,923	$ 46,202	$ 35,047	$ 462,078
TOTALS - ALL AGENCY FUNDS:				
Assets				
Cash and cash equivalents	$ 413,655	$ 45,838	$ 33,737	$ 425,756
Investments, at fair value:				
Corporate stock	37,268	364	1,310	36,322
Total assets	$ 450,923	$ 46,202	$ 35,047	$ 462,078
Liabilities				
Amounts held for Maplewood Cemetery	$ 450,923	$ 46,202	$ 35,047	$ 462,078
Total liabilities	$ 450,923	$ 46,202	$ 35,047	$ 462,078

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Supporting Schedules

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TOWN OF GORDONSVILLE, VIRGINIA

Schedule 1
Page 1 of 2

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	$ 109,000	$ 109,000	$ 111,904	$ 2,904
Real and personal public service corporation taxes	3,900	3,900	4,246	346
Personal property taxes	64,000	64,000	56,019	(7,981)
Mobile home taxes	25	25	9	(16)
Machinery and tools taxes	200	200	3,389	3,189
Penalties	5,000	5,000	4,522	(478)
Interest and other fees	4,300	4,300	3,351	(949)
Total general property taxes	$ 186,425	$ 186,425	$ 183,440	$ (2,985)
Other local taxes:				
Local sales and use taxes	$ 70,000	$ 70,000	$ 86,829	$ 16,829
Consumers' utility taxes	29,000	29,000	30,153	1,153
Cigarette taxes	25,000	25,000	40,500	15,500
Business license taxes	96,500	96,500	95,782	(718)
Motor vehicle licenses	23,000	23,000	32,177	9,177
Bank stock taxes	7,500	7,500	8,409	909
Refund of bank stock taxes	(5,000)	(5,000)	-	5,000
Restaurant food taxes	300,000	300,000	355,410	55,410
Total other local taxes	$ 546,000	$ 546,000	$ 649,260	$ 103,260
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	$ 1,000	$ 1,000	$ 1,197	$ 197
Total permits, privilege fees, and regulatory licenses	$ 1,000	$ 1,000	$ 1,197	$ 197
Fines and forfeitures:				
Court fines and forfeitures	$ 200,000	$ 200,000	$ 142,200	$ (57,800)
Total fines and forfeitures	$ 200,000	$ 200,000	$ 142,200	$ (57,800)
Revenue from use of money and property:				
Revenue from use of money	$ 7,500	$ 7,502	$ 9,190	$ 1,688
Revenue from use of property	382,400	382,400	388,657	6,257
Total revenue from use of money and property	$ 389,900	$ 389,902	$ 397,847	$ 7,945
Miscellaneous:				
Miscellaneous	$ 8,650	$ 8,650	$ 10,660	$ 2,010
Total revenue from local sources	$ 1,331,975	$ 1,331,977	$ 1,384,604	$ 52,627

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock taxes	$ 1,000	$ 1,000	$ 993	$ (7)
Communication taxes	28,500	28,500	28,746	246
Personal property tax relief funds	33,700	33,700	33,719	19
Total noncategorical aid	$ 63,200	$ 63,200	$ 63,458	$ 258
Categorical aid:				
Other categorical aid:				
599 Funding	$ 37,500	$ 37,500	$ 38,760	$ 1,260
Litter control grant	3,900	3,900	3,784	(116)
Fire programs fund	10,000	10,000	10,000	-
Total other categorical aid	$ 51,400	$ 51,400	$ 52,544	$ 1,144
Total revenue from the Commonwealth	$ 114,600	$ 114,600	$ 116,002	$ 1,402
Revenue from the federal government:				
Categorical aid:				
TEA-21 Depot Grant	$ 182,000	$ 182,000	$ 136,387	$ (45,613)
TEA-21 Streetscape grant	-	145,552	118,451	(27,101)
Total categorical aid	$ 182,000	$ 327,552	$ 254,838	$ (72,714)
Total revenue from the federal government	$ 182,000	$ 327,552	$ 254,838	$ (72,714)
Total General Fund	$ 1,628,575	$ 1,774,129	$ 1,755,444	$ (18,685)
Special Revenue Fund:				
Pool Fund:				
Revenue from local sources:				
Charges for services:				
Charges for open swim	$ 8,000	$ 8,000	$ 9,156	$ 1,156
Charges for swim lessons	4,000	4,000	3,273	(727)
Charges for concessions	3,500	3,500	2,362	(1,138)
Charges for private rentals	1,000	1,000	180	(820)
Charges for swim team	3,600	3,600	5,242	1,642
Total charges for services	$ 20,100	$ 20,100	$ 20,213	$ 113
Miscellaneous:				
Donations	$ 4,700	$ 4,700	$ 3,938	$ (762)
Total miscellaneous	$ 4,700	$ 4,700	$ 3,938	$ (762)
Total revenue from local sources	$ 24,800	$ 24,800	$ 24,151	$ (649)
Total Pool Fund	$ 24,800	$ 24,800	$ 24,151	$ (649)
Total Primary Government	$ 1,653,375	$ 1,798,929	$ 1,779,595	$ (19,334)

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Town Council	$ 18,320	$ 18,320	$ 16,317	$ 2,003
General and financial administration:				
Administration	$ 181,750	$ 205,033	$ 178,533	$ 26,500
Town attorney	20,540	20,540	19,656	884
Treasurer	124,400	120,159	125,456	(5,297)
Total general and financial administration	$ 326,690	$ 345,732	$ 323,645	$ 22,087
Total general government administration	$ 345,010	$ 364,052	$ 339,962	$ 24,090
Public safety:				
Law enforcement and traffic control:				
Police department	$ 576,200	$ 577,298	$ 532,147	$ 45,151
Asset forfeiture	-	-	2,099	(2,099)
Total law enforcement and traffic control	$ 576,200	$ 577,298	$ 534,246	$ 43,052
Fire and rescue services:				
Volunteer fire department	$ 18,370	$ 18,370	$ 18,258	$ 112
Total fire and rescue services	$ 18,370	$ 18,370	$ 18,258	$ 112
Total public safety	$ 594,570	$ 595,668	$ 552,504	$ 43,164
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	$ 220,210	$ 248,717	$ 314,421	$ (65,704)
Sanitation and waste removal:				
Refuse collection	$ 48,000	$ 48,000	$ 49,416	$ (1,416)
Refuse disposal	3,200	3,200	3,293	(93)
Litter control	3,900	3,900	669	3,231
Total sanitation and waste removal	$ 55,100	$ 55,100	$ 53,378	$ 1,722
Maintenance of general buildings and grounds:				
Clerk of the Works	$ -	$ -	$ 45,305	$ (45,305)
Rental property maintenance	-	-	2,032	(2,032)
Total maintenance of general buildings and grou	$ -	$ -	$ 47,337	$ (47,337)
Total public works	$ 275,310	$ 303,817	$ 415,136	$ (111,319)
Health and welfare:				
Welfare:				
Property tax relief for the elderly and handicapped	$ 2,400	$ 2,400	$ 2,553	$ (153)
Piedmont Regional Dental Clinic	500	500	500	-
Other	1,200	1,200	1,200	-
Total welfare	$ 4,100	$ 4,100	$ 4,253	$ (153)
Total health and welfare	$ 4,100	$ 4,100	$ 4,253	$ (153)

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017 (Continued)

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Parks, recreation, and cultural:				
Parks and recreation:				
Gordonsville little league	$ 2,000	$ 2,000	$ 1,325	$ 675
5K event	3,100	3,100	2,644	456
Total parks and recreation	$ 5,100	$ 5,100	$ 3,969	$ 1,131
Cultural enrichment:				
Historic Gordonsville	$ 2,250	$ 2,250	$ 2,250	$ -
Visitor's Center	41,450	45,182	33,080	12,102
The Journey through Hollowed Ground	500	500	500	-
Fried Chicken Festival	1,800	1,800	1,866	(66)
Total cultural enrichment	$ 46,000	$ 49,732	$ 37,696	$ 12,036
Total parks, recreation, and cultural	$ 51,100	$ 54,832	$ 41,665	$ 13,167
Community development:				
Planning and community development:				
Other community development	$ 1,300	$ 1,300	$ 1,300	$ -
Total community development	$ 1,300	$ 1,300	$ 1,300	$ -
Capital projects:				
Other capital projects	$ 3,700	$ 36,703	$ 13,696	$ 23,007
Residential rental properties	-	221,198	221,198	-
Public works facility	354,000	333,321	218,644	114,677
Police department vehicles	-	5,000	66,398	(61,398)
Streetscape - Town	-	41,829	11,435	30,394
Streetscape - VDOT	-	145,552	45,741	99,811
Depot - Town	-	20,575	21,049	(474)
Depot - VDOT	182,000	182,000	143,976	38,024
Public works vehicles and equipment	1,000	9,000	1,466	7,534
Equipment purchase	3,500	3,500	3,191	309
Total capital projects	$ 544,200	$ 998,678	$ 746,794	$ 251,884
Debt service:				
Principal retirement	$ 68,600	$ 700,718	$ 756,015	$ (55,297)
Interest and other fiscal charges	22,800	22,800	39,492	(16,692)
Issuance costs	-	15,500	16,045	(545)
Total debt service	$ 91,400	$ 739,018	$ 811,552	$ (72,534)
Total General Fund	$ 1,906,990	$ 3,061,465	$ 2,913,166	$ 148,299
Special Revenue Fund:				
Pool Fund:				
Parks and Recreation:				
Swimming Pool	$ 43,650	$ 43,650	$ 41,490	$ 2,160
Total Pool Fund	$ 43,650	$ 43,650	$ 41,490	$ 2,160
Total Primary Government	$ 1,950,640	$ 3,105,115	$ 2,954,656	$ 150,459

Compliance

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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*

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, 2017, and the related notes to the financial statements, which collectively comprise Town of Gordonsville, Virginia's basic financial statements and have issued our report thereon dated January 30, 2018.

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 responses, we identified certain deficiencies in internal control that we consider to be material weaknesses (reference 2017-001).

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*.

Town of Gordonsville, Virginia's Response to Findings

Town of Gordonsville, Virginia's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Town of Gordonsville, Virginia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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, Farmer, Cox Associates
Charlottesville, Virginia
January 30, 2018

2017-001 - *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 vacany 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.

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 in early fiscal year 2017.

Recommendation:

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

Management's Response:

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.

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