



TOWN OF GORDONSVILLE, VIRGINIA
FINANCIAL REPORT
YEAR ENDED JUNE 30, 2012

TOWN OF GORDONSVILLE, VIRGINIA

Annual Financial Report
For the Year Ended June 30, 2012

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TOWN OF GORDONSVILLE, VIRGINIA

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TOWN OF GORDONSVILLE, VIRGINIA

Town Council

Robert K. Coiner, Mayor

Brenda A. Watkins, Vice Mayor

Pam Black

Theresa Lewis

Wendy Hartsook

Robert Hall

Emily Winkey

Officials

Sabrina M. Martyn, Town Manager

Angela Scolforo, Town Attorney

Tabitha Carpenter, Town Treasurer

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

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

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 the Town of Gordonsville, Virginia, as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Gordonsville, Virginia's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 the Town of Gordonsville, Virginia, as of June 30, 2012, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2012, on our consideration of the 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedule of pension funding progress 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 schedule of pension funding progress 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 schedule of pension funding progress 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 the 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 the missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Gordonsville, Virginia's financial statements as a whole. The other supplementary information and supporting schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. They are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Robinson, Fermer, & Associates
Charlottesville, Virginia
November 13, 2012

Basic Financial Statements

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Government-wide Financial Statements

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Statement of Net Assets
June 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 92,207	\$ 679,015	\$ 771,222
Certificate of deposit	400,000	-	400,000
Receivables, net of allowance for uncollectibles:			
Taxes receivable	87,641	-	87,641
Accounts receivable	35,466	96,692	132,158
Due from other governmental units	42,996	2,275	45,271
Prepaid expenses	4,150	-	4,150
Restricted assets:			
Temporarily restricted:			
Cash held for customer deposits	-	20,860	20,860
Other assets:			
Unamortized bond issue costs	16,173	13,777	29,950
Capital assets, net of accumulated depreciation:			
Land	184,749	31,833	216,582
Construction in progress	165,971	-	165,971
Land improvements	46,296	-	46,296
Buildings, systems, and improvements	557,042	1,975,275	2,532,317
Infrastructure	335,912	-	335,912
Intangibles	10,531	-	10,531
Machinery, equipment and vehicles	74,734	140,311	215,045
Total assets	<u>\$ 2,053,868</u>	<u>\$ 2,960,038</u>	<u>\$ 5,013,906</u>
LIABILITIES			
Accounts payable	\$ 37,916	\$ 10,624	\$ 48,540
Accrued liabilities	35,099	3,769	38,868
Customers' deposits payable from restricted assets	-	20,860	20,860
Accrued interest payable	4,102	4,012	8,114
Unearned revenue	191,986	-	191,986
Long-term liabilities:			
Due within one year	62,104	227,563	289,667
Due in more than one year	573,818	500,588	1,074,406
Total liabilities	<u>\$ 905,025</u>	<u>\$ 767,416</u>	<u>\$ 1,672,441</u>
NET ASSETS			
Invested in capital assets, net of related debt	\$ 810,932	\$ 1,424,906	\$ 2,235,838
Restricted for:			
Pool improvements and activities	29,270	-	29,270
Unrestricted	308,641	767,716	1,076,357
Total net assets	<u>\$ 1,148,843</u>	<u>\$ 2,192,622</u>	<u>\$ 3,341,465</u>

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

TOWN OF GORDONSVILLE, VIRGINIA

Statement of Activities
For the Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 536,193	\$ 3,053	\$ -	\$ -
Public safety	471,738	77,558	59,332	-
Public works	342,818	-	10,135	-
Health and welfare	4,088	-	-	-
Parks, recreation, and cultural	66,319	22,851	-	27,228
Community development	1,300	-	-	-
Interest on long-term debt	27,436	-	-	-
Total governmental activities	<u>\$ 1,449,892</u>	<u>\$ 103,462</u>	<u>\$ 69,467</u>	<u>\$ 27,228</u>
Business-type activities:				
Water and Sewer Fund	\$ 806,180	\$ 1,031,691	\$ -	\$ -
Total business-type activities	<u>\$ 806,180</u>	<u>\$ 1,031,691</u>	<u>\$ -</u>	<u>\$ -</u>
Total primary government	<u>\$ 2,256,072</u>	<u>\$ 1,135,153</u>	<u>\$ 69,467</u>	<u>\$ 27,228</u>

General revenues:

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

Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning

Net assets - ending

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (533,140)		\$ (533,140)
(334,848)		(334,848)
(332,683)		(332,683)
(4,088)		(4,088)
(16,240)		(16,240)
(1,300)		(1,300)
(27,436)		(27,436)
<u>\$ (1,249,735)</u>		<u>\$ (1,249,735)</u>
	\$ 225,511	\$ 225,511
	<u>\$ 225,511</u>	<u>\$ 225,511</u>
<u>\$ (1,249,735)</u>	<u>\$ 225,511</u>	<u>\$ (1,024,224)</u>
\$ 169,632	\$ -	\$ 169,632
127,389	-	127,389
29,145	-	29,145
101,708	-	101,708
263,533	-	263,533
84,690	-	84,690
334,552	27,684	362,236
20,209	-	20,209
65,744	-	65,744
54,350	(54,350)	-
<u>\$ 1,250,952</u>	<u>\$ (26,666)</u>	<u>\$ 1,224,286</u>
\$ 1,217	\$ 198,845	\$ 200,062
1,147,626	1,993,777	3,141,403
<u>\$ 1,148,843</u>	<u>\$ 2,192,622</u>	<u>\$ 3,341,465</u>

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Fund Financial Statements

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Balance Sheet
 Governmental Funds
 June 30, 2012

	<u>General Fund</u>	<u>Pool Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 57,218	\$ 34,989	\$ 92,207
Certificate of deposit	400,000	-	400,000
Receivables, net of allowance for uncollectibles			
Taxes receivable	87,641	-	87,641
Accounts receivable	34,516	950	35,466
Due from other governmental units	42,996	-	42,996
Prepaid items	4,150	-	4,150
Total assets	<u>\$ 626,521</u>	<u>\$ 35,939</u>	<u>\$ 662,460</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 35,302	\$ 2,614	\$ 37,916
Accrued liabilities	33,302	1,797	35,099
Deferred revenue	231,811	-	231,811
Total liabilities	<u>\$ 300,415</u>	<u>\$ 4,411</u>	<u>\$ 304,826</u>
Fund balances:			
Nonspendable:			
Prepays	\$ 4,150	\$ -	\$ 4,150
Restricted:			
Pool capital donations	-	27,288	27,288
Learn to swim scholarship	-	1,442	1,442
Pool pass donations	-	540	540
Committed:			
East Street project	14,311	-	14,311
Pool activities	-	2,258	2,258
Unassigned	307,645	-	307,645
Total fund balances	<u>\$ 326,106</u>	<u>\$ 31,528</u>	<u>\$ 357,634</u>
Total liabilities and fund balances	<u>\$ 626,521</u>	<u>\$ 35,939</u>	<u>\$ 662,460</u>

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

Reconciliation of the Balance Sheet of Governmental Funds
 To the Statement of Net Assets
 June 30, 2012

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	357,634	
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The amounts reported below are net of accumulated depreciation.			
Land	\$	184,749	
Construction in Progress		165,971	
Land improvements		46,296	
Buildings and improvements		557,042	
Infrastructure		335,912	
Machinery, equipment and vehicles		74,734	
Intangibles		<u>10,531</u>	1,375,235
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.			
Deferred revenue related to property taxes			39,825
Issuance costs are recorded as other assets and amortized over the life of the debt and, therefore, are not reported in the funds.			
			16,173
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.			
Bonds	\$	(554,969)	
Capital leases		(9,334)	
Compensated absences		(71,619)	
Accrued interest payable		<u>(4,102)</u>	(640,024)
Net assets of governmental activities	\$		<u><u>1,148,843</u></u>

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

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2012

	General Fund	Pool Fund	Total
REVENUES			
General property taxes	\$ 200,556	\$ -	\$ 200,556
Other local taxes	606,465	-	606,465
Permits, privilege fees, and regulatory licenses	3,053	-	3,053
Fines and forfeitures	77,558	-	77,558
Revenue from the use of money and property	334,552	-	334,552
Charges for services	-	22,851	22,851
Miscellaneous	16,439	30,998	47,437
Intergovernmental revenues:			
Commonwealth	114,693	-	114,693
Federal	20,518	-	20,518
Total revenues	<u>\$ 1,373,834</u>	<u>\$ 53,849</u>	<u>\$ 1,427,683</u>
EXPENDITURES			
Current:			
General government administration	\$ 505,117	\$ -	\$ 505,117
Public safety	456,043	-	456,043
Public works	302,021	-	302,021
Health and welfare	4,088	-	4,088
Parks, recreation, and cultural	16,745	49,617	66,362
Community development	1,300	-	1,300
Capital projects	61,338	-	61,338
Debt service:			
Principal retirement	575,756	-	575,756
Interest and other fiscal charges	52,665	-	52,665
Total expenditures	<u>\$ 1,975,073</u>	<u>\$ 49,617</u>	<u>\$ 2,024,690</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (601,239)</u>	<u>\$ 4,232</u>	<u>\$ (597,007)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 54,350	\$ 5,722	\$ 60,072
Transfers out	(5,722)	-	(5,722)
Refunding of bonds	488,700	-	488,700
Premium on issuance of bonds	71,166	-	71,166
Total other financing sources (uses)	<u>\$ 608,494</u>	<u>\$ 5,722</u>	<u>\$ 614,216</u>
Net change in fund balances	\$ 7,255	\$ 9,954	\$ 17,209
Fund balances - beginning	318,851	21,574	340,425
Fund balances - ending	<u>\$ 326,106</u>	<u>\$ 31,528</u>	<u>\$ 357,634</u>

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

Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2012

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

Net change in fund balances - total governmental funds	\$	17,209	
<p>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.</p>			
Capital asset additions	\$	53,770	
Depreciation		<u>(72,017)</u>	(18,247)
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets for gains and decrease net assets for losses.</p>			
			(1,635)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. The change in deferred property taxes is reported as revenues in the governmental funds.</p>			
			(30,923)
<p>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 assets. Also, governmental funds report the effect of issuance costs, 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.</p>			
Issuance of bonds	\$	(488,700)	
Premium on issuance		(71,166)	
Issuance costs		17,368	
Payment of principal		575,756	
Amortization of premium on issuance		4,897	
Amortization of issuance costs		<u>(1,195)</u>	36,960
<p>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.</p>			
Compensated absences	\$	(6,306)	
Accrued interest on debt		<u>4,159</u>	<u>(2,147)</u>
Change in net assets of governmental activities	\$		<u><u>1,217</u></u>

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

Statement of Net Assets
 Proprietary Fund
 June 30, 2012

	<u>Enterprise Fund</u>
	<u>Water and Sewer Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 679,015
Accounts receivable, net of allowance for uncollectibles	96,692
Due from other governmental units	2,275
Total current assets	<u>\$ 777,982</u>
Noncurrent assets:	
Restricted assets:	
Cash held for customer deposits	\$ 20,860
Other assets:	
Unamortized bond issue costs	13,777
Capital assets:	
Land	31,833
Buildings and systems, net of accumulated depreciation	1,975,275
Machinery and equipment, net of accumulated depreciation	140,311
Total capital assets	<u>\$ 2,147,419</u>
Total noncurrent assets	<u>\$ 2,182,056</u>
Total assets	<u>\$ 2,960,038</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 10,624
Accrued liabilities	3,769
Customers' deposits payable from restricted assets	20,860
Accrued interest payable	4,012
Compensated absences - current portion	564
Bonds payable - current portion	226,999
Total current liabilities	<u>\$ 266,828</u>
Noncurrent liabilities:	
Compensated absences - net of current portion	\$ 5,074
Bonds payable - net of current portion	495,514
Total noncurrent liabilities	<u>\$ 500,588</u>
Total liabilities	<u>\$ 767,416</u>
NET ASSETS	
Invested in capital assets, net of related debt	\$ 1,424,906
Unrestricted	767,716
Total net assets	<u>\$ 2,192,622</u>

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

Statement of Revenues, Expenses, and Changes in Fund Net Assets
 Proprietary Fund
 For the Year Ended June 30, 2012

	<u>Enterprise Fund</u>
	<u>Water and Sewer Fund</u>
OPERATING REVENUES	
Charges for services:	
Water revenues	\$ 669,902
Sewer revenues	339,354
Connection fees	218
Delinquent fees	12,611
Cut on fees	2,060
Miscellaneous	7,546
Total operating revenues	<u>\$ 1,031,691</u>
OPERATING EXPENSES	
Water and water tests	\$ 254,086
Sewer	218,025
Salaries, wages, and benefits	98,690
Repairs and maintenance	54,491
Materials and supplies	11,423
Depreciation	105,930
Other operating expenses	26,117
Total operating expenses	<u>\$ 768,762</u>
Operating income (loss)	<u>\$ 262,929</u>
NONOPERATING REVENUES (EXPENSES)	
Use of Property	\$ 27,684
Interest expense	(37,418)
Total nonoperating revenues (expenses)	<u>\$ (9,734)</u>
Income before contributions and transfers	\$ 253,195
Transfers out	(54,350)
Change in net assets	<u>\$ 198,845</u>
Total net assets - beginning	1,993,777
Total net assets - ending	<u><u>\$ 2,192,622</u></u>

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

Statement of Cash Flows
 Proprietary Fund
 For the Year Ended June 30, 2012

	<u>Enterprise Fund</u>
	<u>Water and Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 1,020,373
Payments to suppliers	(559,774)
Payments to employees	(123,417)
Net cash provided by (used for) operating activities	<u>\$ 337,182</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers to other funds	\$ (51,000)
Use of Property	27,684
Net cash provided by (used for) noncapital financing activities	<u>\$ (23,316)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal payments on bonds	\$ (658,916)
Proceeds from indebtedness	416,300
Premium on issuance	60,623
Issuance costs	(14,795)
Interest payments	(43,902)
Net cash provided by (used for) capital and related financing activities	<u>\$ (240,690)</u>
Net increase (decrease) in cash and cash equivalents	\$ 73,176
Cash and cash equivalents - beginning (including restricted)	626,699
Cash and cash equivalents - ending (including restricted)	<u>\$ 699,875</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ 262,929
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation expense	\$ 105,930
(Increase) decrease in accounts receivable	(17,754)
Increase (decrease) in customer deposits	6,436
Increase (decrease) in accounts payable	4,368
Increase (decrease) in accrued liabilities	(21,361)
Increase (decrease) in compensated absences	(3,366)
Total adjustments	<u>\$ 74,253</u>
Net cash provided by (used for) operating activities	<u>\$ 337,182</u>
Noncash investing, capital, and financing activities:	
Contributions of capital assets to general fund	<u>\$ 3,350</u>

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

Statement of Fiduciary Net Assets
 Fiduciary Funds
 June 30, 2012

	<u>Agency Fund</u>
ASSETS	
<hr/>	
Cash and cash equivalents	\$ 74,212
Investments, at fair value:	
U.S. government obligations	334,621
Corporate stocks	18,280
Total assets	<u>\$ 427,113</u>
LIABILITIES	
<hr/>	
Amounts held for Maplewood Cemetery	\$ 427,113
Total liabilities	<u>\$ 427,113</u>

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

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2012

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 the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia, and the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board. 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 assets and the statement of activities) report information on all of the nonfiduciary activities of the Town. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

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

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

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.

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.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

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

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

The following is a brief description of the specific funds used by the Town in FY 2012.

1. *Governmental Funds:*

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

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

2. *Proprietary Funds:*

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

Enterprise Funds account for the financing of services to the general public where all or most of the operating expenses involved are recorded in the form of charges to users of such services. The enterprise fund consists of the Water and Sewer Fund.

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

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

The Town applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989 unless these pronouncements conflict with or contradict GASB pronouncements.

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.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

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.

When both restricted and unrestricted resources are available for use, The Town generally first uses restricted assets. The Town may defer the use of restricted assets based on a review of the specific transaction.

D. Budgets and Budgetary Accounting

The Town Council annually adopts budgets for the general and water and sewer funds.

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

1. On or before April 1 of each year, the Town Manager submits to Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public notice regarding the proposed budget is circulated in accordance with Virginia statute, and at least one public hearing is conducted at Town Hall to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted through passage of an appropriation resolution. Town Council may approve supplemental appropriations.
4. The legal level of control is at the function level within an individual fund. The Town Manager is authorized to transfer budgeted amounts within departments within any fund; however, any revisions between departments, from the contingency line item, or that alter the total expenditures of any fund must be approved by Town Council.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and Water and Sewer Fund.
6. The budgets for the General Fund and Water and Sewer Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

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

D. Budgets and Budgetary Accounting: (Continued)

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, 2012.

E. Expenditures and Appropriations

Expenditures exceeded appropriations in the General Fund and Pool Fund at June 30, 2012.

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, 2012 consisted of amounts invested in the Local Government Investment Pool and a 60 month certificate of deposit, which are reported at fair value.

H. Inventory and Prepaid Items

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

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

I. Allowance for Uncollectible Accounts

The Town calculates its allowances for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance for uncollectible taxes and water and sewer receivables are \$14,431 and \$26,946, respectively at June 30, 2012.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

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

J. Capital Assets

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

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

K. 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 leave liability has been reported as a long-term liability.

L. Long-Term Obligations

In the government-wide financial statements, long-term debt and other 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 debt and other 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.

M. 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 and useful lives for tangible property. Actual results could differ from those estimates.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

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

N. Net Assets

Net assets are the difference between assets and liabilities. Net assets invested in capital assets represent capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets.

O. Fund Equity

Beginning with fiscal year 2011, the Town implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

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

Town 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).

A fund balance policy has not been formally adopted by Council as of June 30, 2012.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS:

Deposits

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

Investments

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

Custodial Credit Risk (Investments)

The Town’s investments at June 30, 2012 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, 2012 were rated by Standard & Poor’s and/or an equivalent national rating organization and the ratings are presented below using the Standard & Poor’s rating scale.

<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAA</u>
Local Government Investment Pool	\$ <u>384,272</u>

External Investment Pool

The fair value of the positions in the external investment pool (Local Government Investment Pool) is the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

NOTE 3—PROPERTY TAXES:

Real and personal property taxes are levied on January 1 at a rate enacted by the Town Council on the assessed value of property as determined by the Commissioner of Revenue of Orange County. Neither the Town Charter nor the State of Virginia impose a limitation on the tax rate. The Town's tax rates for fiscal year 2012 were \$.095 (9.5¢) and \$.99 per \$100 of real estate and personal property assessed valuation, respectively. The rate on the first half installment of real estate taxes was \$.10.

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

NOTE 4—ACCOUNTS RECEIVABLE:

Accounts receivable are detailed as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Property taxes	\$ 102,072	\$ -
Meals taxes	26,381	-
Consumer utility taxes	3,911	-
Visitor's Center salary	2,370	-
Consumption taxes	634	-
Other	2,170	123,638
	<hr/>	<hr/>
Total	\$ 137,538	\$ 123,638
Allowance for uncollectibles	(14,431)	(26,946)
	<hr/>	<hr/>
Net receivables	<u>\$ 123,107</u>	<u>\$ 96,692</u>

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

NOTE 5—DUE FROM OTHER GOVERNMENTAL UNITS:

Amounts due from other governments are detailed as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Town of Orange:		
Raw Water Storage Basin	\$ -	\$ 2,275
Commonwealth of Virginia:		
Communication tax	5,309	-
TEA-21 streetscape grant	3,762	-
Other	3,721	-
County of Orange, Virginia:		
Local sales taxes	24,623	-
Circuit Court of Orange County, Virginia:		
Court fines	5,581	-
	<u>42,996</u>	<u>2,275</u>
Total	\$ <u>42,996</u>	\$ <u>2,275</u>

NOTE 6—FINANCING COSTS:

Costs for issuance of the 2011 refunding bonds amounted to \$32,164 and are allocated 54% to the general fund and 46% to the enterprise fund. Issuance costs are being amortized on the effective interest method and amortization amounted to \$2,214 for fiscal year 2012. The balance of issuance costs was \$29,950 at year-end.

NOTE 7—INTERFUND ACTIVITY:

Details of interfund activity as of June 30, 2012 are as follows:

Transfers To/From Other Funds:

Transfers to the Pool Fund from the General Fund for the purchase of a pool lift.	\$ <u>5,722</u>
Transfers from the Water and Sewer Fund to the General Fund for payment in lieu of taxes and equipment transferred to public works.	\$ <u>(54,350)</u>

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

NOTE 8—CAPITAL ASSETS:

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

	<u>Balance July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2012</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 184,749	\$ -	\$ -	\$ 184,749
Construction in progress	<u>214,567</u>	<u>28,634</u>	<u>77,230</u>	<u>165,971</u>
Total capital assets not being depreciated	<u>\$ 399,316</u>	<u>\$ 28,634</u>	<u>\$ 77,230</u>	<u>\$ 350,720</u>
Other capital assets:				
Land Improvements	\$ 134,928	\$ -	\$ -	\$ 134,928
Buildings and Improvements	920,071	-	-	920,071
Infrastructure	474,889	77,230	-	552,119
Intangibles	42,349	-	-	42,349
Machinery, equipment and vehicles	<u>831,648</u>	<u>25,136</u>	<u>75,743</u>	<u>781,041</u>
Total other capital assets	<u>\$ 2,403,885</u>	<u>\$ 102,366</u>	<u>\$ 75,743</u>	<u>\$ 2,430,508</u>
Accumulated depreciation:				
Land Improvements	\$ 83,849	\$ 4,783	\$ -	\$ 88,632
Buildings and Improvements	339,761	23,268	-	363,029
Infrastructure	206,491	9,716	-	216,207
Intangibles	24,505	7,313	-	31,818
Machinery, equipment and vehicles	<u>753,478</u>	<u>26,937</u>	<u>74,108</u>	<u>706,307</u>
Total accumulated depreciation	<u>\$ 1,408,084</u>	<u>\$ 72,017</u>	<u>\$ 74,108</u>	<u>\$ 1,405,993</u>
Other capital assets, net	<u>\$ 995,801</u>	<u>\$ 30,349</u>	<u>\$ 1,635</u>	<u>\$ 1,024,515</u>
Net capital assets	<u>\$ 1,395,117</u>	<u>\$ 58,983</u>	<u>\$ 78,865</u>	<u>\$ 1,375,235</u>
Depreciation is allocated to:				
General government administration		\$ 29,218		
Public safety		14,598		
Public works		22,746		
Parks, Recreation, and Cultural		<u>5,455</u>		
Total		<u>\$ 72,017</u>		

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

NOTE 8—CAPITAL ASSETS: (CONTINUED)

Business-Type Activities:	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Capital assets not being depreciated:				
Land	\$ 31,833	\$ -	\$ -	\$ 31,833
Total capital assets not being depreciated	\$ 31,833	\$ -	\$ -	\$ 31,833
Other capital assets:				
Buildings and systems	\$ 3,672,649	\$ -	\$ -	\$ 3,672,649
Machinery and Equipment	255,092	-	3,350	251,742
Total other capital assets	\$ 3,927,741	\$ -	\$ 3,350	\$ 3,924,391
Accumulated depreciation:				
Buildings and systems	\$ 1,611,896	\$ 85,478	\$ -	\$ 1,697,374
Machinery and Equipment	90,979	20,452	-	111,431
Total accumulated depreciation	\$ 1,702,875	\$ 105,930	\$ -	\$ 1,808,805
Other capital assets, net	\$ 2,224,866	\$ (105,930)	\$ 3,350	\$ 2,115,586
Net capital assets	\$ 2,256,699	\$ (105,930)	\$ 3,350	\$ 2,147,419
Depreciation is allocated to:				
Water and sewer operations		\$ 105,930		

NOTE 9—CLAIMS, JUDGMENTS AND COMPENSATED ABSENCES:

In accordance with GASB Statement 16, *Accounting and Financial Reporting Principles for Claims, Judgments, and Compensated Absences*, the Town has accrued the liability arising from outstanding claims, judgments and compensated absences. Town employees earn vacation and sick leave based upon length of service. The Town has outstanding accrued vacation pay totaling \$71,619 in the General Fund and \$5,638 in the Enterprise Fund.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

NOTE 10—LONG-TERM DEBT:

The following is a summary of long-term debt of the Town for the year ended June 30, 2012.

	<u>Balance</u> <u>July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2012</u>
Long-term debt payable from governmental activities:				
Bonds	\$ 567,000	\$ 488,700	\$ 567,000	\$ 488,700
Premium on Bonds	-	71,166	4,897	66,269
Capital leases	18,090	-	8,756	9,334
Compensated absences	65,313	6,306	-	71,619
Total from governmental activities	<u>\$ 650,403</u>	<u>\$ 566,172</u>	<u>\$ 580,653</u>	<u>\$ 635,922</u>
Long-term debt payable from business-type activities:				
Bonds	\$ 908,678	\$ 416,300	\$ 658,916	\$ 666,062
Premium on Bonds	-	60,623	4,172	56,451
Compensated absences	9,004	-	3,366	5,638
Total from business-type activities	<u>\$ 917,682</u>	<u>\$ 476,923</u>	<u>\$ 666,454</u>	<u>\$ 728,151</u>
Total long-term debt	<u>\$ 1,568,085</u>	<u>\$ 1,043,095</u>	<u>\$ 1,247,107</u>	<u>\$ 1,364,073</u>
Reconciliation to Exhibit 1:				
Long-term liabilities:				
Due within one year				\$ 289,667
Due in more than one year				<u>1,074,406</u>
Total long-term debt				<u>\$ 1,364,073</u>

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

Year Ended June 30,	SunTrust Revenue Bond \$1,500,000		VRA Series 2002A \$905,000		VRA/SunTrust Financing \$253,800		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 135,614	\$ 5,243	\$ 65,000	\$ 38,650	\$ 52,534	\$ 1,549	\$ 253,148	\$ 45,442
2014	34,885	281	70,000	36,350	26,729	313	131,614	36,944
2015	-	-	75,000	32,925	-	-	75,000	32,925
2016	-	-	75,000	29,400	-	-	75,000	29,400
2017	-	-	80,000	26,050	-	-	80,000	26,050
2018	-	-	80,000	22,575	-	-	80,000	22,575
2019	-	-	80,000	19,250	-	-	80,000	19,250
2020	-	-	85,000	15,975	-	-	85,000	15,975
2021	-	-	90,000	12,200	-	-	90,000	12,200
2022	-	-	100,000	7,750	-	-	100,000	7,750
2023	-	-	105,000	2,625	-	-	105,000	2,625
Totals	<u>\$ 170,499</u>	<u>\$ 5,524</u>	<u>\$ 905,000</u>	<u>\$ 243,750</u>	<u>\$ 79,263</u>	<u>\$ 1,862</u>	<u>\$ 1,154,762</u>	<u>\$ 251,136</u>

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

NOTE 10—LONG-TERM DEBT: (CONTINUED)

Annual requirements to amortize long-term debt and related interest are as follows: (continued)

Year Ended June 30,	Police Car \$28,040	
	Principal	Interest
2013	\$ 9,334	\$ 616
Totals	\$ 9,334	\$ 616

Details of Long-term Indebtedness:

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. 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.

	Total Amount Outstanding	Amount Due Within One Year
	\$ 488,700	\$ 35,100

Premium on Issuance

	\$ 66,269	\$ 10,508
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Leases:

In fiscal year 2011, the Town entered into a long-term lease through July, 2012 to finance the acquisition of a police car. This lease provides for annual payments in the amount of \$9,950, which includes principal and interest. Interest is charged at a rate of 6.6%. The police car was capitalized in the amount of \$28,040.

Total leases payable

	\$ 9,334	\$ 9,334
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	\$ 9,334	\$ 9,334
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Compensated absences

	\$ 71,619	\$ 7,162
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Total long-term obligations from governmental activities

	\$ 635,922	\$ 62,104
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TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

NOTE 10—LONG-TERM DEBT: (CONTINUED)

Details of Long-term Indebtedness: (Continued)

	<u>Total Amount Outstanding</u>	<u>Amount Due Within One Year</u>
<u>Business-Type Activities:</u>		
Bonds:		
Payments on the \$905,000 bond described above are allocated 46% to the water and sewer fund.	\$ 416,300	\$ 29,900
On September 9, 1998, the Town issued General Obligation Bonds through Crestar Bank (now SunTrust Bank) in the amount of \$1,500,000. The bond proceeds were partially used to pay previously issued debt in the amount of \$741,950. The remaining proceeds, \$758,050, were held in escrow by SunTrust Bank until needed to finance capital improvements to the Town's water, sewer, and street systems. These bonds mature in monthly installments of \$11,722 including principal and interest through September 10, 2013, interest payable at 4.82%.	170,499	135,614
On September 26, 2008, the Town entered into a financing agreement with SunTrust Bank in the amount of \$253,800. Payments are due in semi-annual installments of varying amounts including principal and interest through September 15, 2013, interest payable at 2.34%.	79,263	52,534
Total bonds payable	<u>\$ 666,062</u>	<u>\$ 218,048</u>
Premium on Issuance	<u>\$ 56,451</u>	<u>\$ 8,951</u>
Compensated absences	<u>\$ 5,638</u>	<u>\$ 564</u>
Total long-term obligations from business-type activities	<u><u>\$ 728,151</u></u>	<u><u>\$ 227,563</u></u>

NOTE 11—LEASE AND RELATED AGREEMENTS:

Lease of Land

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

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

Rent revenue under the contract totals approximately \$232,000 per year, not including miscellaneous charges. For the fiscal year ended June 30, 2012, rent and miscellaneous charges totaled \$325,654.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

NOTE 11—LEASE AND RELATED AGREEMENTS: (CONTINUED)

Water Agreements

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

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

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

NOTE 12—DEFINED BENEFIT PENSION PLAN:

A. Plan Description:

Name of Plan:	Virginia Retirement System (VRS)
Identification of Plan:	Agent Multiple-Employer Defined Benefit Pension Plan
Administering Entity:	Virginia Retirement System (System)

All full-time, salaried permanent employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

NOTE 12—DEFINED BENEFIT PENSION PLAN: (CONTINUED)

A. Plan Description: (Continued)

VRS administers two defined benefit plans for local government employees - Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least five years of service credit or at age 50 with at least 10 years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/publications/2011-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

NOTE 12—DEFINED BENEFIT PENSION PLAN: (CONTINUED)

B. Funding Policy:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. The employer has assumed this 5.00% member contribution. In addition, the Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Town's contribution rate for the fiscal year ended 2012 was 9.11%, of annual covered payroll.

C. Annual Pension Cost:

For fiscal year 2012, the Town's annual pension cost of \$54,066 (does not include the employee share which was \$29,674) was equal to the Town's required and actual contributions.

The following trend information is presented for three years.

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC) (1)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2012	\$ 54,066	100%	-
June 30, 2011	50,041	100%	-
June 30, 2010	47,193	100%	-

(1) Employer portion only

The FY 2012 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the Town's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Town's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

NOTE 12—DEFINED BENEFIT PENSION PLAN: (CONTINUED)

D. Funded Status and Funding Progress:

As of June 30, 2011, the most recent actuarial valuation date, the plan was 78.33% funded. The actuarial accrued liability for benefits was \$803,970, and the actuarial value of assets was \$629,786, resulting in an unfunded actuarial accrued liability (UAAL) of \$174,184. The covered payroll (annual payroll of active employees covered by the plan) was \$559,600, and ratio of the UAAL to the covered payroll was 31.13%.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

NOTE 13—CONTINGENT LIABILITIES:

At June 30, 2012 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 14—CONSTRUCTION COMMITMENTS:

The Town had construction commitments at year-end related to the Streetscape project. Of the \$181,204 contract, \$36,164 was outstanding at June 30, 2012.

NOTE 15—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 16—DEFERRED REVENUE:

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred revenue totaling \$231,811 is comprised of the following:

Land Lease - Deferred revenue representing amounts received in advance for the lease described in Note 10 totaled \$137,356 at June 30, 2012.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

NOTE 16—DEFERRED REVENUE: (CONTINUED)

Deferred Property Tax Revenue - Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$89,618 (including 2nd ½ tax billings of \$49,793 not due until December 5) at June 30, 2012.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2011 but paid in advance by the taxpayers totaled \$4,837 at June 30, 2012.

NOTE 17—INTERGOVERNMENTAL AGREEMENT:

In September 2007, the Town entered into a raw water storage basin agreement with the Town of Orange, Virginia. The agreement stipulates that the interest cost to Orange for the financing of the construction of the raw water storage basin will be borne by Gordonsville and Orange in proportion to the monthly amount each takes of the finished water produced by Orange. The agreement shall continue until payments are made for forty (40) years or until the bonds are paid off, whichever occurs first. The Town of Gordonsville made payments totaling \$21,020 during fiscal year 2012 pursuant to the agreement.

Required Supplementary Information

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General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 241,041	\$ 241,041	\$ 200,556	\$ (40,485)
Other local taxes	540,500	540,500	606,465	65,965
Permits, privilege fees, and regulatory licenses	2,900	2,900	3,053	153
Fines and forfeitures	75,000	75,000	77,558	2,558
Revenue from the use of money and property	333,154	333,154	334,552	1,398
Miscellaneous	7,642	12,642	16,439	3,797
Intergovernmental revenues:				
Commonwealth	118,389	118,389	114,693	(3,696)
Federal	62,500	62,500	20,518	(41,982)
Total revenues	\$ 1,381,126	\$ 1,386,126	\$ 1,373,834	\$ (12,292)
EXPENDITURES				
Current:				
General government administration	\$ 522,507	\$ 519,607	\$ 505,117	\$ 14,490
Public safety	447,406	463,410	456,043	7,367
Public works	254,194	254,194	302,021	(47,827)
Health and welfare	3,500	4,000	4,088	(88)
Parks, recreation, and cultural	7,150	7,150	16,745	(9,595)
Community development	1,350	1,350	1,300	50
Capital projects	138,300	161,932	61,338	100,594
Debt service:				
Principal retirement	43,857	43,857	575,756	(531,899)
Interest and other fiscal charges	29,862	29,862	52,665	(22,803)
Total expenditures	\$ 1,448,126	\$ 1,485,362	\$ 1,975,073	\$ (489,711)
Excess (deficiency) of revenues over (under) expenditures	\$ (67,000)	\$ (99,236)	\$ (601,239)	\$ (502,003)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 51,000	\$ 51,000	\$ 54,350	\$ 3,350
Transfers out	-	(5,722)	(5,722)	-
Refunding of bonds	-	-	488,700	488,700
Premium on issuance of bonds	-	-	71,166	71,166
Total other financing sources and uses	\$ 51,000	\$ 45,278	\$ 608,494	\$ 563,216
Net change in fund balances	\$ (16,000)	\$ (53,958)	\$ 7,255	\$ 61,213
Fund balances - beginning	16,000	30,326	318,851	288,525
Fund balances - ending	\$ -	\$ (23,632)	\$ 326,106	\$ 349,738

Pool Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 27,500	\$ 27,500	\$ 22,851	\$ (4,649)
Miscellaneous	20,000	20,000	30,998	10,998
Total revenues	<u>\$ 47,500</u>	<u>\$ 47,500</u>	<u>\$ 53,849</u>	<u>\$ 6,349</u>
EXPENDITURES				
Current:				
Parks, recreation, and cultural	\$ 41,800	\$ 47,522	\$ 49,617	\$ (2,095)
Total expenditures	<u>\$ 41,800</u>	<u>\$ 47,522</u>	<u>\$ 49,617</u>	<u>\$ (2,095)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 5,700</u>	<u>\$ (22)</u>	<u>\$ 4,232</u>	<u>\$ 4,254</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 5,000	\$ 10,722	\$ 5,722	\$ (5,000)
Total other financing sources and uses	<u>\$ 5,000</u>	<u>\$ 10,722</u>	<u>\$ 5,722</u>	<u>\$ (5,000)</u>
Net change in fund balances	\$ 10,700	\$ 10,700	\$ 9,954	\$ (746)
Fund balances - beginning	(10,700)	(10,700)	21,574	32,274
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,528</u>	<u>\$ 31,528</u>

Virginia Retirement System
 Schedule of Pension Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a) (c)	Funded Ratio (a/b) (d)	Annual Covered Payroll (e)	UAAL as % of Covered Payroll (c/e) (f)
June 30, 2011	\$ 629,786	\$ 803,970	\$ 174,184	78.33%	\$ 559,600	31.13%
June 30, 2010	546,208	770,102	223,894	70.93%	549,792	40.72%
June 30, 2009	463,024	655,036	192,012	70.69%	611,239	31.41%

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Other Supplementary Information

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Statement of Changes in Assets and Liabilities
 Agency Fund
 For the Year Ended June 30, 2012

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Maplewood Cemetery Fund:				
Assets				
Cash and cash equivalents	\$ 74,424	\$ 45,092	\$ 45,304	\$ 74,212
Investments, at fair value:				
U.S. government obligations	336,524	11,976	13,879	334,621
Corporate stocks	26,446	-	8,166	18,280
Total assets	<u>\$ 437,394</u>	<u>\$ 57,068</u>	<u>\$ 67,349</u>	<u>\$ 427,113</u>
Liabilities				
Amounts held for Maplewood Cemetery	<u>\$ 437,394</u>	<u>\$ 57,068</u>	<u>\$ 67,349</u>	<u>\$ 427,113</u>
TOTALS - ALL AGENCY FUNDS:				
Assets				
Cash and cash equivalents	\$ 74,424	\$ 45,092	\$ 45,304	\$ 74,212
Investments, at fair value:				
U.S. government obligations	336,524	11,976	13,879	334,621
Corporate stocks	26,446	-	8,166	18,280
Total assets	<u>\$ 437,394</u>	<u>\$ 57,068</u>	<u>\$ 67,349</u>	<u>\$ 427,113</u>
Liabilities				
Amounts held for Maplewood Cemetery	<u>\$ 437,394</u>	<u>\$ 57,068</u>	<u>\$ 67,349</u>	<u>\$ 427,113</u>
Total liabilities	<u>\$ 437,394</u>	<u>\$ 57,068</u>	<u>\$ 67,349</u>	<u>\$ 427,113</u>

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Supporting Schedules

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Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

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	\$ 121,600	\$ 121,600	\$ 110,328	\$ (11,272)
Real and personal public service corporation taxes	4,000	4,000	4,046	46
Personal property taxes	70,500	70,500	72,427	1,927
Mobile home taxes	41	41	34	(7)
Machinery and tools taxes	32,100	32,100	2,279	(29,821)
Penalties	5,500	5,500	5,465	(35)
Interest and other fees	7,300	7,300	5,977	(1,323)
Total general property taxes	<u>\$ 241,041</u>	<u>\$ 241,041</u>	<u>\$ 200,556</u>	<u>\$ (40,485)</u>
Other local taxes:				
Local sales and use taxes	\$ 115,500	\$ 115,500	\$ 127,389	\$ 11,889
Consumers' utility taxes	31,000	31,000	29,145	(1,855)
Cigarette taxes	32,000	32,000	24,000	(8,000)
Business license taxes	100,000	100,000	101,708	1,708
Motor vehicle licenses	28,000	28,000	28,238	238
Bank stock taxes	34,000	34,000	32,452	(1,548)
Restaurant food taxes	200,000	200,000	263,533	63,533
Total other local taxes	<u>\$ 540,500</u>	<u>\$ 540,500</u>	<u>\$ 606,465</u>	<u>\$ 65,965</u>
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	\$ 2,900	\$ 2,900	\$ 3,053	\$ 153
Total permits, privilege fees, and regulatory licenses	<u>\$ 2,900</u>	<u>\$ 2,900</u>	<u>\$ 3,053</u>	<u>\$ 153</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 75,000	\$ 75,000	\$ 77,558	\$ 2,558
Total fines and forfeitures	<u>\$ 75,000</u>	<u>\$ 75,000</u>	<u>\$ 77,558</u>	<u>\$ 2,558</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 2,000	\$ 2,000	\$ 7,626	\$ 5,626
Revenue from use of property	331,154	331,154	326,926	(4,228)
Total revenue from use of money and property	<u>\$ 333,154</u>	<u>\$ 333,154</u>	<u>\$ 334,552</u>	<u>\$ 1,398</u>
Miscellaneous revenue:				
Miscellaneous	\$ 7,642	\$ 12,642	\$ 16,439	\$ 3,797
Total revenue from local sources	<u>\$ 1,200,237</u>	<u>\$ 1,205,237</u>	<u>\$ 1,238,623</u>	<u>\$ 33,386</u>

Schedule of Revenues - Budget and Actual

Governmental Funds

For the Year Ended June 30, 2012 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock taxes	\$ 970	\$ 970	\$ 940	\$ (30)
Communication taxes	38,900	38,900	31,085	(7,815)
Personal property tax relief funds	33,719	33,719	33,719	-
Total noncategorical aid	<u>\$ 73,589</u>	<u>\$ 73,589</u>	<u>\$ 65,744</u>	<u>\$ (7,845)</u>
Categorical aid:				
Other categorical aid:				
599 Funding	\$ 33,700	\$ 33,700	\$ 37,548	\$ 3,848
Litter control grant	3,500	3,500	3,181	(319)
Fire programs fund	7,200	7,200	8,000	800
Other categorical aid	400	400	220	(180)
Total other categorical aid	<u>\$ 44,800</u>	<u>\$ 44,800</u>	<u>\$ 48,949</u>	<u>\$ 4,149</u>
Total revenue from the Commonwealth	<u>\$ 118,389</u>	<u>\$ 118,389</u>	<u>\$ 114,693</u>	<u>\$ (3,696)</u>
Revenue from the federal government:				
Categorical aid:				
State and community highway safety grant	\$ 11,600	\$ 11,600	\$ 9,375	\$ (2,225)
TEA-21 Streetscape grant	50,400	50,400	6,954	(43,446)
Local law enforcement block grant	500	500	4,189	3,689
Total categorical aid	<u>\$ 62,500</u>	<u>\$ 62,500</u>	<u>\$ 20,518</u>	<u>\$ (41,982)</u>
Total revenue from the federal government	<u>\$ 62,500</u>	<u>\$ 62,500</u>	<u>\$ 20,518</u>	<u>\$ (41,982)</u>
Total General Fund	<u><u>\$ 1,381,126</u></u>	<u><u>\$ 1,386,126</u></u>	<u><u>\$ 1,373,834</u></u>	<u><u>\$ (12,292)</u></u>
Special Revenue Fund:				
Pool Fund:				
Revenue from local sources:				
Charges for services:				
Charges for open swim	\$ 13,500	\$ 13,500	\$ 10,704	\$ (2,796)
Charges for swim lessons	6,000	6,000	3,112	(2,888)
Charges for concessions	6,000	6,000	4,375	(1,625)
Charges for private rentals	2,000	2,000	2,620	620
Charges for swim team	-	-	2,040	2,040
Total charges for services	<u>\$ 27,500</u>	<u>\$ 27,500</u>	<u>\$ 22,851</u>	<u>\$ (4,649)</u>
Miscellaneous revenue:				
Donations	\$ 20,000	\$ 20,000	\$ 30,998	\$ 10,998
Total miscellaneous revenue	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 30,998</u>	<u>\$ 10,998</u>
Total revenue from local sources	<u>\$ 47,500</u>	<u>\$ 47,500</u>	<u>\$ 53,849</u>	<u>\$ 6,349</u>
Total Pool Fund	<u><u>\$ 47,500</u></u>	<u><u>\$ 47,500</u></u>	<u><u>\$ 53,849</u></u>	<u><u>\$ 6,349</u></u>
Total Primary Government	<u><u>\$ 1,428,626</u></u>	<u><u>\$ 1,433,626</u></u>	<u><u>\$ 1,427,683</u></u>	<u><u>\$ (5,943)</u></u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Town Council	\$ 22,799	\$ 22,799	\$ 16,894	\$ 5,905
General and financial administration:				
Administration	\$ 331,660	\$ 328,760	\$ 322,647	\$ 6,113
Town attorney	20,007	20,007	19,008	999
Treasurer	148,041	148,041	146,568	1,473
Total general and financial administration	<u>\$ 499,708</u>	<u>\$ 496,808</u>	<u>\$ 488,223</u>	<u>\$ 8,585</u>
Total general government administration	<u>\$ 522,507</u>	<u>\$ 519,607</u>	<u>\$ 505,117</u>	<u>\$ 14,490</u>
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 437,956	\$ 442,956	\$ 440,499	\$ 2,457
Asset forfeiture	-	8,604	2,894	5,710
Total law enforcement and traffic control	<u>\$ 437,956</u>	<u>\$ 451,560</u>	<u>\$ 443,393</u>	<u>\$ 8,167</u>
Fire and rescue services:				
Volunteer fire department	\$ 9,450	\$ 11,850	\$ 12,650	\$ (800)
Total fire and rescue services	<u>\$ 9,450</u>	<u>\$ 11,850</u>	<u>\$ 12,650</u>	<u>\$ (800)</u>
Total public safety	<u>\$ 447,406</u>	<u>\$ 463,410</u>	<u>\$ 456,043</u>	<u>\$ 7,367</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 198,994	\$ 198,994	\$ 247,193	\$ (48,199)
Sanitation and waste removal:				
Refuse collection	\$ 50,000	\$ 50,000	\$ 50,000	\$ -
Refuse disposal	2,000	2,000	1,739	261
Litter control	3,200	3,200	3,089	111
Total sanitation and waste removal	<u>\$ 55,200</u>	<u>\$ 55,200</u>	<u>\$ 54,828</u>	<u>\$ 372</u>
Total public works	<u>\$ 254,194</u>	<u>\$ 254,194</u>	<u>\$ 302,021</u>	<u>\$ (47,827)</u>
Health and welfare:				
Welfare:				
Property tax relief for the elderly and handicapped	\$ 2,300	\$ 2,300	\$ 2,388	\$ (88)
Piedmont Regional Dental Clinic	500	500	500	-
Other	700	1,200	1,200	-
Total welfare	<u>\$ 3,500</u>	<u>\$ 4,000</u>	<u>\$ 4,088</u>	<u>\$ (88)</u>
Total health and welfare	<u>\$ 3,500</u>	<u>\$ 4,000</u>	<u>\$ 4,088</u>	<u>\$ (88)</u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012 (Continued)

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Parks, recreation, and cultural:				
Parks and recreation:				
Gordonsville little league	\$ 2,400	\$ 2,400	\$ 1,037	\$ 1,363
Total parks and recreation	<u>\$ 2,400</u>	<u>\$ 2,400</u>	<u>\$ 1,037</u>	<u>\$ 1,363</u>
Cultural enrichment:				
Historic Gordonsville	\$ 2,250	\$ 2,250	\$ 2,250	\$ -
Visitor's Center	2,500	2,500	13,458	(10,958)
Total cultural enrichment	<u>\$ 4,750</u>	<u>\$ 4,750</u>	<u>\$ 15,708</u>	<u>\$ (10,958)</u>
Total parks, recreation, and cultural	<u>\$ 7,150</u>	<u>\$ 7,150</u>	<u>\$ 16,745</u>	<u>\$ (9,595)</u>
Community development:				
Planning and community development:				
Other community development	\$ 1,350	\$ 1,350	\$ 1,300	\$ 50
Total community development	<u>\$ 1,350</u>	<u>\$ 1,350</u>	<u>\$ 1,300</u>	<u>\$ 50</u>
Capital projects:				
Other capital projects	\$ 19,300	\$ 18,300	\$ 5,654	\$ 12,646
Baker Street	-	23,632	13,195	10,437
East Street	21,000	21,000	6,689	14,311
Streetscape - Town	12,600	12,600	1,796	10,804
Streetscape - VDOT	50,400	50,400	6,954	43,446
Public works vehicles	10,000	11,000	12,850	(1,850)
Knighting Road paving	25,000	25,000	14,200	10,800
Total capital projects	<u>\$ 138,300</u>	<u>\$ 161,932</u>	<u>\$ 61,338</u>	<u>\$ 100,594</u>
Debt service:				
Principal retirement	\$ 43,857	\$ 43,857	\$ 575,756	\$ (531,899)
Interest and other fiscal charges	29,862	29,862	52,665	(22,803)
Total debt service	<u>\$ 73,719</u>	<u>\$ 73,719</u>	<u>\$ 628,421</u>	<u>\$ (554,702)</u>
Total General Fund	<u>\$ 1,448,126</u>	<u>\$ 1,485,362</u>	<u>\$ 1,975,073</u>	<u>\$ (489,711)</u>
Special Revenue Fund:				
Pool Fund:				
Parks and Recreation:				
Swimming Pool	\$ 41,800	\$ 47,522	\$ 49,617	\$ (2,095)
Total Pool Fund	<u>\$ 41,800</u>	<u>\$ 47,522</u>	<u>\$ 49,617</u>	<u>\$ (2,095)</u>
Total Primary Government	<u>\$ 1,489,926</u>	<u>\$ 1,532,884</u>	<u>\$ 2,024,690</u>	<u>\$ (491,806)</u>

Compliance

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ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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 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, 2012, which collectively comprise the Town of Gordonsville, Virginia's basic financial statements and have issued our report thereon dated November 13, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Town of Gordonsville, Virginia is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town of Gordonsville, Virginia's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Town of Gordonsville, Virginia's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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*.

We noted certain matters that we reported to management of Town of Gordonsville, Virginia, in a separate letter dated November 13, 2012.

This report is intended solely for the information and use of management, Town Council, and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

Robinson, Farmer, Co. Associates
Charlottesville, Virginia
November 13, 2012