



TOWN OF GORDONSVILLE, VIRGINIA

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2013

TOWN OF GORDONSVILLE, VIRGINIA

Annual Financial Report
For the Year Ended June 30, 2013

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TOWN OF GORDONSVILLE, VIRGINIA

Annual Financial Report
For the Year Ended June 30, 2013

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TOWN OF GORDONSVILLE, VIRGINIA

Town Council

Robert K. Coiner, Mayor

Emily Winkey, Vice Mayor

Pam Black

Wendy Hartsook

Robert Hall

Chris Colby

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**

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, 2013, 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, 2013, 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.

Emphasis of Matter

As described in Note 1 to the financial statements, in 2013, Town of Gordonsville, Virginia adopted new accounting guidance, GASB Statement Nos. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and 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 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. 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 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 November 4, 2013, 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, Fermer, Co. Associates

Charlottesville, Virginia

November 4, 2013

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Basic Financial Statements

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Government-wide Financial Statements

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Statement of Net Position
June 30, 2013

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and cash equivalents	\$ 170,270	\$ 788,995	\$ 959,265
Certificate of deposit	400,000	-	400,000
Receivables, net of allowance for uncollectibles:			
Taxes receivable	99,548	-	99,548
Accounts receivable	31,121	92,476	123,597
Due from other governmental units	55,450	2,275	57,725
Restricted assets:			
Cash held for customer deposits	-	25,024	25,024
Capital assets, net of accumulated depreciation:			
Land	184,749	31,833	216,582
Construction in progress	210,747	12,966	223,713
Land improvements	41,513	-	41,513
Buildings, systems, and improvements	539,867	1,889,797	2,429,664
Infrastructure	325,231	-	325,231
Intangibles	3,983	-	3,983
Machinery, equipment and vehicles	109,003	166,534	275,537
Total assets	<u>\$ 2,171,482</u>	<u>\$ 3,009,900</u>	<u>\$ 5,181,382</u>
LIABILITIES			
Accounts payable	\$ 73,652	\$ 62,832	\$ 136,484
Accrued liabilities	31,494	6,093	37,587
Customers' deposits payable from restricted assets	-	25,024	25,024
Accrued interest payable	3,562	3,343	6,905
Unearned revenue	141,477	-	141,477
Long-term liabilities:			
Due within one year	62,413	112,428	174,841
Due in more than one year	543,208	433,335	976,543
Total liabilities	<u>\$ 855,806</u>	<u>\$ 643,055</u>	<u>\$ 1,498,861</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	\$ 54,509	\$ -	\$ 54,509
NET POSITION			
Net investment in capital assets	\$ 861,046	\$ 1,560,856	\$ 2,421,902
Restricted for:			
Pool improvements and activities	50,900	-	50,900
Law enforcement	4,366	-	4,366
Unrestricted	344,855	805,989	1,150,844
Total net position	<u>\$ 1,261,167</u>	<u>\$ 2,366,845</u>	<u>\$ 3,628,012</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, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 545,527	\$ 870	\$ -	\$ -
Public safety	461,006	122,583	50,372	-
Public works	360,218	-	20,708	-
Health and welfare	4,051	-	-	-
Parks, recreation, and cultural	66,223	21,886	-	1,735
Community development	1,550	-	-	-
Interest on long-term debt	11,921	-	-	-
Total governmental activities	<u>\$ 1,450,496</u>	<u>\$ 145,339</u>	<u>\$ 71,080</u>	<u>\$ 1,735</u>
Business-type activities:				
Water and Sewer Fund	\$ 753,670	\$ 1,032,135	\$ -	\$ -
Total business-type activities	<u>\$ 753,670</u>	<u>\$ 1,032,135</u>	<u>\$ -</u>	<u>\$ -</u>
Total primary government	<u>\$ 2,204,166</u>	<u>\$ 1,177,474</u>	<u>\$ 71,080</u>	<u>\$ 1,735</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 position
- Net position - beginning - as restated
- Net position - ending

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (544,657)		\$ (544,657)
(288,051)		(288,051)
(339,510)		(339,510)
(4,051)		(4,051)
(42,602)		(42,602)
(1,550)		(1,550)
(11,921)		(11,921)
<u>\$ (1,232,342)</u>		<u>\$ (1,232,342)</u>
	\$ 278,465	\$ 278,465
	<u>\$ 278,465</u>	<u>\$ 278,465</u>
<u>\$ (1,232,342)</u>	<u>\$ 278,465</u>	<u>\$ (953,877)</u>
\$ 197,676	\$ -	\$ 197,676
135,617	-	135,617
29,446	-	29,446
97,048	-	97,048
266,631	-	266,631
67,315	-	67,315
344,192	39,250	383,442
26,101	-	26,101
67,098	-	67,098
129,715	(129,715)	-
<u>\$ 1,360,839</u>	<u>\$ (90,465)</u>	<u>\$ 1,270,374</u>
\$ 128,497	\$ 188,000	\$ 316,497
1,132,670	2,178,845	3,311,515
<u>\$ 1,261,167</u>	<u>\$ 2,366,845</u>	<u>\$ 3,628,012</u>

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Fund Financial Statements

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Balance Sheet
 Governmental Funds
 June 30, 2013

	<u>General Fund</u>	<u>Pool Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 107,528	\$ 62,742	\$ 170,270
Certificate of deposit	400,000	-	400,000
Receivables, net of allowance for uncollectibles			
Taxes receivable	99,548	-	99,548
Accounts receivable	29,551	1,570	31,121
Due from other governmental units	55,450	-	55,450
Total assets	<u>\$ 692,077</u>	<u>\$ 64,312</u>	<u>\$ 756,389</u>
LIABILITIES			
Accounts payable	\$ 63,448	\$ 10,204	\$ 73,652
Accrued liabilities	28,286	3,208	31,494
Unearned revenue	141,477	-	141,477
Total liabilities	<u>\$ 233,211</u>	<u>\$ 13,412</u>	<u>\$ 246,623</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	<u>\$ 104,159</u>	<u>\$ -</u>	<u>\$ 104,159</u>
FUND BALANCES			
Restricted:			
Pool capital donations	\$ -	\$ 49,023	\$ 49,023
Learn to swim scholarship	-	1,112	1,112
Pool pass donations	-	765	765
Law enforcement	4,366	-	4,366
Committed:			
East Street project	20,000	-	20,000
Unassigned	330,341	-	330,341
Total fund balances	<u>\$ 354,707</u>	<u>\$ 50,900</u>	<u>\$ 405,607</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 692,077</u>	<u>\$ 64,312</u>	<u>\$ 756,389</u>

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

Reconciliation of the Balance Sheet of Governmental Funds
 To the Statement of Net Position
 June 30, 2013

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	405,607	
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The amounts reported below are net of accumulated depreciation.			
Land	\$	184,749	
Construction in Progress		210,747	
Land improvements		41,513	
Buildings and improvements		539,867	
Infrastructure		325,231	
Machinery, equipment and vehicles		109,003	
Intangibles		<u>3,983</u>	1,415,093
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			49,650
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.			
Bonds	\$	(509,361)	
Capital lease		(44,686)	
Compensated absences		(51,574)	
Accrued interest payable		<u>(3,562)</u>	(609,183)
Net position of governmental activities	\$		<u><u>1,261,167</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, 2013

	<u>General Fund</u>	<u>Pool Fund</u>	<u>Total</u>
REVENUES			
General property taxes	\$ 187,851	\$ -	\$ 187,851
Other local taxes	596,057	-	596,057
Permits, privilege fees, and regulatory licenses	870	-	870
Fines and forfeitures	122,583	-	122,583
Revenue from the use of money and property	344,192	-	344,192
Charges for services	-	21,886	21,886
Miscellaneous	20,751	7,085	27,836
Intergovernmental revenues:			
Commonwealth	118,551	-	118,551
Federal	19,627	-	19,627
Total revenues	<u>\$ 1,410,482</u>	<u>\$ 28,971</u>	<u>\$ 1,439,453</u>
EXPENDITURES			
Current:			
General government administration	\$ 519,534	\$ -	\$ 519,534
Public safety	471,072	-	471,072
Public works	330,370	-	330,370
Health and welfare	4,051	-	4,051
Parks, recreation, and cultural	18,382	42,113	60,495
Community development	1,550	-	1,550
Capital projects	111,407	-	111,407
Debt service:			
Principal retirement	49,878	-	49,878
Interest and other fiscal charges	22,968	-	22,968
Total expenditures	<u>\$ 1,529,212</u>	<u>\$ 42,113</u>	<u>\$ 1,571,325</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (118,730)</u>	<u>\$ (13,142)</u>	<u>\$ (131,872)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 129,715	\$ 32,514	\$ 162,229
Transfers out	(32,514)	-	(32,514)
Issuance of capital lease	50,130	-	50,130
Total other financing sources (uses)	<u>\$ 147,331</u>	<u>\$ 32,514</u>	<u>\$ 179,845</u>
Net change in fund balances	\$ 28,601	\$ 19,372	\$ 47,973
Fund balances - beginning	326,106	31,528	357,634
Fund balances - ending	<u>\$ 354,707</u>	<u>\$ 50,900</u>	<u>\$ 405,607</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, 2013

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

Net change in fund balances - total governmental funds	\$	47,973
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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	\$	114,099	
Depreciation		<u>(74,241)</u>	39,858

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. The change in unavailable property taxes is reported as revenues in the governmental funds.			9,825
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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 capital lease	\$	(50,130)	
Payment of principal		49,878	
Amortization of premium on issuance		<u>10,508</u>	10,256

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	\$	20,045	
Accrued interest payable		<u>540</u>	<u>20,585</u>

Change in net position of governmental activities			\$ <u><u>128,497</u></u>
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The notes to the financial statements are an integral part of this statement.

Statement of Net Position
 Proprietary Fund
 June 30, 2013

	<u>Enterprise Fund</u>
	<u>Water and Sewer Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 788,995
Accounts receivable, net of allowance for uncollectibles	92,476
Due from other governmental units	2,275
Total current assets	<u>\$ 883,746</u>
Noncurrent assets:	
Restricted assets:	
Cash held for customer deposits	\$ 25,024
Capital assets:	
Land	31,833
Construction in progress	12,966
Buildings and systems, net of accumulated depreciation	1,889,797
Machinery and equipment, net of accumulated depreciation	166,534
Total capital assets	<u>\$ 2,101,130</u>
Total noncurrent assets	<u>\$ 2,126,154</u>
Total assets	<u>\$ 3,009,900</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 62,832
Accrued liabilities	6,093
Customers' deposits payable from restricted assets	25,024
Accrued interest payable	3,343
Compensated absences - current portion	549
Bonds payable - current portion	102,307
Capital lease - current portion	9,572
Total current liabilities	<u>\$ 209,720</u>
Noncurrent liabilities:	
Compensated absences - net of current portion	\$ 4,940
Bonds payable - net of current portion	393,281
Capital lease - net of current portion	35,114
Total noncurrent liabilities	<u>\$ 433,335</u>
Total liabilities	<u>\$ 643,055</u>
NET POSITION	
Net investment in capital assets	\$ 1,560,856
Unrestricted	805,989
Total net position	<u>\$ 2,366,845</u>

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

Statement of Revenues, Expenses, and Changes in Fund Net Position
 Proprietary Fund
 For the Year Ended June 30, 2013

	<u>Enterprise Fund</u>
	<u>Water and Sewer Fund</u>
OPERATING REVENUES	
Charges for services:	
Water revenues	\$ 702,090
Sewer revenues	320,155
Connection fees	(218)
Delinquent fees	7,357
Cut on fees	1,980
Miscellaneous	771
Total operating revenues	\$ <u>1,032,135</u>
OPERATING EXPENSES	
Water and water tests	\$ 285,887
Sewer	205,000
Salaries, wages, and benefits	74,339
Repairs and maintenance	34,528
Materials and supplies	4,211
Depreciation	109,235
Other operating expenses	24,081
Total operating expenses	\$ <u>737,281</u>
Operating income (loss)	\$ <u>294,854</u>
NONOPERATING REVENUES (EXPENSES)	
Use of Property	\$ 39,250
Interest expense	(16,389)
Total nonoperating revenues (expenses)	\$ <u>22,861</u>
Income before transfers	\$ 317,715
Transfers out	(129,715)
Change in net position	\$ <u>188,000</u>
Total net position - beginning - as restated	2,178,845
Total net position - ending	\$ <u><u>2,366,845</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, 2013

	<u>Enterprise Fund</u>
	<u>Water and Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 1,040,515
Payments to suppliers	(501,499)
Payments to employees	(72,164)
Net cash provided by (used for) operating activities	<u>\$ 466,852</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers to other funds	\$ (129,715)
Use of Property	39,250
Net cash provided by (used for) noncapital financing activities	<u>\$ (90,465)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Additions to CIP and machinery and equipment	\$ (12,816)
Principal payments on bonds	(217,973)
Principal payments on capital lease	(5,445)
Interest payments	(26,009)
Net cash provided by (used for) capital and related financing activities	<u>\$ (262,243)</u>
Net increase (decrease) in cash and cash equivalents	\$ 114,144
Cash and cash equivalents - beginning (including restricted)	699,875
Cash and cash equivalents - ending (including restricted)	<u><u>\$ 814,019</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ 294,854
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation expense	\$ 109,235
(Increase) decrease in accounts receivable	4,216
Increase (decrease) in customer deposits	4,164
Increase (decrease) in accounts payable	52,208
Increase (decrease) in accrued liabilities	2,324
Increase (decrease) in compensated absences	(149)
Total adjustments	<u>\$ 171,998</u>
Net cash provided by (used for) operating activities	<u><u>\$ 466,852</u></u>
Noncash investing, capital, and financing activities:	
Borrowing under capital lease	<u><u>\$ 50,130</u></u>

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

Statement of Fiduciary Net Position
 Fiduciary Funds
 June 30, 2013

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ 61,874
Investments, at fair value:	
U.S. government obligations	334,623
Corporate stocks	29,047
Total assets	<u>\$ 425,544</u>
LIABILITIES	
Amounts held for Maplewood Cemetery	<u>\$ 425,544</u>
Total liabilities	<u>\$ 425,544</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, 2013

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

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

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

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

Statement of Net Position - The Statement of Net Position is designed to display the financial position of the primary government (government and business-type activities) and its discretely presented component unit. 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.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

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 2013.

1. *Governmental Funds:*

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

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

2. *Proprietary Funds:*

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

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

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

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

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (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.

D. Budgets and Budgetary Accounting

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

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

1. On or before April 1 of each year, the Town Manager submits to Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public notice regarding the proposed budget is circulated in accordance with Virginia statute, and at least one public hearing is conducted at Town Hall to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted through passage of an appropriation resolution. Town Council may approve supplemental appropriations.
4. The legal level of control is at the function level within an individual fund. The Town Manager is authorized to transfer budgeted amounts within departments within any fund; however, any revisions between departments, from the contingency line item, or that alter the total expenditures of any fund must be approved by Town Council.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and Water and Sewer Fund.
6. The budgets for the General Fund and Water and Sewer Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. A review of the presented budget comparisons herein will disclose how accurately Town Council was actually able to forecast the revenues and expenditures of the Town.
8. Appropriations lapse on June 30, unless carried forward by a resolution of Town Council.
9. Budgetary amounts as presented in the financial statements reflect budget revisions through June 30, 2013.

E. Expenditures and Appropriations

Expenditures exceeded appropriations in the Pool Fund at June 30, 2013.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

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

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, 2013 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 \$8,656 and \$30,087, respectively at June 30, 2013.

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 compensated absences has been reported as a long-term liability.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

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

L. 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 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.

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.

N. 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 does not have any deferred outflows of resources as of June 30, 2013.

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 one type of item that qualifies 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.

O. 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.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

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

P. 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.

Q. 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);
- 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, 2013.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

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

R. Adoption of Accounting Principles:

Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, Statement No. 63 of the Governmental Accounting Standards Board:

The Town implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement provides guidance for reporting deferred inflows and deferred outflows of resources. The requirements of this Statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on an entity’s net position. With the implementation of this Statement, certain terminology has changed and financial statement descriptions have changed from “net assets” to “net position.” The net equity reported in the financial statements was not changed as a result of implementing this Statement and no restatement of prior balances is required.

Items Previously Reported as Assets and Liabilities, Statement No. 65 of the Governmental Accounting Standards Board:

The Town implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The net position reported in the financial statements was restated as a result of implementing this Statement. The restatement is as follows:

	Governmental Activities Net Position	Business-Type Activities Net Position
	<u> </u>	<u> </u>
Balance as reported at June 30, 2012	\$ 1,148,843	\$ 2,192,622
Restatement to remove bond issuance costs	<u>(16,173)</u>	<u>(13,777)</u>
Balance as restated at July 1, 2012	<u>\$ 1,132,670</u>	<u>\$ 2,178,845</u>

S. Upcoming Pronouncements:

The Governmental Accounting Standards Board has issued Statement No. 68, *Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27*. This Statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014. The Town has not determined the impact of this pronouncement on its financial statements.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (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, 2013 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, 2013 were rated by Standard & Poor’s and/or an equivalent national rating organization and the ratings are presented below using the Standard & Poor’s rating scale.

<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
Local Government Investment Pool	\$ <u>284,847</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, 2013 (Continued)

NOTE 3—PROPERTY TAXES:

Real and personal property taxes are levied on January 1 at a rate enacted by the Town Council on the assessed value of property as determined by the Commissioner of Revenue of Orange County. Neither the Town Charter nor the State of Virginia imposes a limitation on the tax rate. The Town's tax rates for fiscal year 2013 were \$.10 and \$.99 per \$100 of real estate and personal property assessed valuation, respectively.

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

NOTE 4—ACCOUNTS RECEIVABLE:

Accounts receivable are detailed as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Property taxes	\$ 108,204	\$ -
Meals taxes	26,579	-
Consumer utility taxes	1,954	-
Consumption taxes	370	-
Other	2,218	122,563
	<hr/>	<hr/>
Total	\$ 139,325	\$ 122,563
Allowance for uncollectibles	(8,656)	(30,087)
	<hr/>	<hr/>
Net receivables	\$ 130,669	\$ 92,476
	<hr/> <hr/>	<hr/> <hr/>

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (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	4,928	-
TEA-21 streetscape grant	11,500	-
Other	1,936	-
County of Orange, Virginia:		
Local sales taxes	24,021	-
Circuit Court of Orange County, Virginia:		
Court fines	13,065	-
	<u>55,450</u>	<u>2,275</u>
Total	<u>\$ 55,450</u>	<u>\$ 2,275</u>

NOTE 6—INTERFUND ACTIVITY:

Details of interfund activity as of June 30, 2013 are as follows:

Transfers To/From Other Funds:

Transfers to the Pool Fund from the General Fund to cover restricted assets.	\$ <u>32,514</u>
Transfers from the Water and Sewer Fund to the General Fund for payment in lieu of taxes.	\$ <u>(129,715)</u>

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

NOTE 7—CAPITAL ASSETS:

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

	<u>Balance July 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2013</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 184,749	\$ -	\$ -	\$ 184,749
Construction in progress	<u>165,971</u>	<u>44,776</u>	<u>-</u>	<u>210,747</u>
Total capital assets not being depreciated	<u>\$ 350,720</u>	<u>\$ 44,776</u>	<u>\$ -</u>	<u>\$ 395,496</u>
Other capital assets:				
Land Improvements	\$ 134,928	\$ -	\$ -	\$ 134,928
Buildings and Improvements	920,071	6,250	-	926,321
Infrastructure	552,119	-	-	552,119
Intangibles	42,349	-	-	42,349
Machinery, equipment and vehicles	<u>781,041</u>	<u>63,073</u>	<u>133,724</u>	<u>710,390</u>
Total other capital assets	<u>\$ 2,430,508</u>	<u>\$ 69,323</u>	<u>\$ 133,724</u>	<u>\$ 2,366,107</u>
Accumulated depreciation:				
Land Improvements	\$ 88,632	\$ 4,783	\$ -	\$ 93,415
Buildings and Improvements	363,029	23,425	-	386,454
Infrastructure	216,207	10,681	-	226,888
Intangibles	31,818	6,548	-	38,366
Machinery, equipment and vehicles	<u>706,307</u>	<u>28,804</u>	<u>133,724</u>	<u>601,387</u>
Total accumulated depreciation	<u>\$ 1,405,993</u>	<u>\$ 74,241</u>	<u>\$ 133,724</u>	<u>\$ 1,346,510</u>
Other capital assets, net	<u>\$ 1,024,515</u>	<u>\$ (4,918)</u>	<u>\$ -</u>	<u>\$ 1,019,597</u>
Net capital assets	<u>\$ 1,375,235</u>	<u>\$ 39,858</u>	<u>\$ -</u>	<u>\$ 1,415,093</u>
Depreciation is allocated to:				
General government administration		\$ 28,199		
Public safety		13,492		
Public works		26,821		
Parks, Recreation, and Cultural		<u>5,729</u>		
Total		<u>\$ 74,241</u>		

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

NOTE 7—CAPITAL ASSETS: (CONTINUED)

Business-Type Activities:	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Capital assets not being depreciated:				
Land	\$ 31,833	\$ -	\$ -	\$ 31,833
Construction in progress	-	12,966	-	12,966
Total capital assets not being depreciated	\$ 31,833	\$ 12,966	\$ -	\$ 44,799
Other capital assets:				
Buildings and systems	\$ 3,672,649	\$ -	\$ -	\$ 3,672,649
Machinery and Equipment	251,742	49,980	-	301,722
Total other capital assets	\$ 3,924,391	\$ 49,980	\$ -	\$ 3,974,371
Accumulated depreciation:				
Buildings and systems	\$ 1,697,374	\$ 85,478	\$ -	\$ 1,782,852
Machinery and Equipment	111,431	23,757	-	135,188
Total accumulated depreciation	\$ 1,808,805	\$ 109,235	\$ -	\$ 1,918,040
Other capital assets, net	\$ 2,115,586	\$ (59,255)	\$ -	\$ 2,056,331
Net capital assets	\$ 2,147,419	\$ (46,289)	\$ -	\$ 2,101,130
Depreciation is allocated to:				
Water and sewer operations		\$ 109,235		

NOTE 8—COMPENSATED ABSENCES:

In accordance with GASB Statement 16, *Accounting for Compensated Absences*, the Town has accrued the liability arising from outstanding compensated absences. Town employees earn vacation and sick leave based upon length of service. The Town has outstanding accrued compensated absences totaling \$51,574 in governmental activities (funded by the General Fund) and \$5,489 in the Enterprise Fund.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

NOTE 9—LONG-TERM OBLIGATIONS:

The following is a summary of long-term obligations of the Town for the year ended June 30, 2013.

	<u>Balance</u> <u>July 1, 2012</u>	<u>Issuances/</u> <u>Increases</u>	<u>Retirements/</u> <u>Decreases</u>	<u>Balance</u> <u>June 30, 2013</u>
Long-term liabilities payable from governmental activities:				
Bond	\$ 488,700	\$ -	\$ 35,100	\$ 453,600
Premium on Bond	66,269	-	10,508	55,761
Capital lease	9,334	50,130	14,778	44,686
Compensated absences	71,619	-	20,045	51,574
	<u>635,922</u>	<u>50,130</u>	<u>80,431</u>	<u>605,621</u>
Total from governmental activities	\$ <u>635,922</u>	\$ <u>50,130</u>	\$ <u>80,431</u>	\$ <u>605,621</u>
Long-term liabilities payable from business-type activities:				
Bonds	\$ 666,062	\$ -	\$ 217,973	\$ 448,089
Premium on Bonds	56,451	-	8,951	47,500
Capital lease	-	50,130	5,445	44,685
Compensated absences	5,638	-	149	5,489
	<u>728,151</u>	<u>50,130</u>	<u>232,518</u>	<u>545,763</u>
Total from business-type activities	\$ <u>728,151</u>	\$ <u>50,130</u>	\$ <u>232,518</u>	\$ <u>545,763</u>
Total long-term obligations	\$ <u><u>1,364,073</u></u>	\$ <u><u>100,260</u></u>	\$ <u><u>312,949</u></u>	\$ <u><u>1,151,384</u></u>
Reconciliation to Exhibit 1:				
Long-term liabilities:				
Due within one year			\$ 174,841	
Due in more than one year			<u>976,543</u>	
Total long-term liabilities			<u><u>\$ 1,151,384</u></u>	

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

NOTE 9—LONG-TERM OBLIGATIONS: (CONTINUED)

Annual requirements to amortize long-term obligations 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
2014	\$ 34,960	\$ 281	\$ 70,000	\$ 37,356	\$ 26,729	\$ 313	\$ 131,689	\$ 37,950
2015	-	-	75,000	33,841	-	-	75,000	33,841
2016	-	-	75,000	30,222	-	-	75,000	30,222
2017	-	-	80,000	26,775	-	-	80,000	26,775
2018	-	-	80,000	23,200	-	-	80,000	23,200
2019	-	-	80,000	19,775	-	-	80,000	19,775
2020	-	-	85,000	16,397	-	-	85,000	16,397
2021	-	-	90,000	12,512	-	-	90,000	12,512
2022	-	-	100,000	7,944	-	-	100,000	7,944
2023	-	-	105,000	2,691	-	-	105,000	2,691
Totals	\$ 34,960	\$ 281	\$ 840,000	\$ 210,713	\$ 26,729	\$ 313	\$ 901,689	\$ 211,307

Year Ended June 30,	Backhoe \$100,260	
	Principal	Interest
2014	\$ 19,145	\$ 2,581
2015	19,766	1,959
2016	20,408	1,317
2017	21,071	654
2018	8,981	72
Totals	\$ 89,371	\$ 6,583

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

NOTE 9—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-term Indebtedness:

	<u>Total Amount Outstanding</u>	<u>Amount Due Within One Year</u>
<u>Governmental Activities:</u>		
Bond:		
On October 15, 2011, the Town issued General Obligation Refunding Bonds in the amount of \$905,000 with interest rates ranging from 2.125% to 5.125% through November 1, 2022. Annual installments are due ranging from \$65,000 to \$105,000. The Town issued the bonds to advance refund \$1,050,000 of the outstanding series 2002 General Obligation Refunding Bonds with interest rates ranging between 3.125% and 5.125%. The refunding reduced total debt service payments over the next 11 years by approximately \$151,860, with a present value savings of \$128,528. The agreement with the Virginia Resources Authority provides that the obligations will be repaid from revenues generated by the Town. The principal and interest payments have been allocated 54% to the general fund and 46% to the water and sewer fund.	\$ 453,600	\$ 37,800
Premium on Issuance	\$ 55,761	\$ 9,883
Capital lease:		
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.	\$ 44,686	\$ 9,573
Compensated absences	\$ 51,574	\$ 5,157
Total long-term obligations from governmental activities	<u>\$ 605,621</u>	<u>\$ 62,413</u>

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

NOTE 9—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-term Indebtedness: (Continued)

	<u>Total Amount Outstanding</u>	<u>Amount Due Within One Year</u>
<u>Business-Type Activities:</u>		
Bonds:		
Payments on the \$905,000 bond described above are allocated 46% to the water and sewer fund.	\$ 386,400	\$ 32,200
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%.	34,960	34,960
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%.	<u>26,729</u>	<u>26,729</u>
Total bonds payable	\$ <u>448,089</u>	\$ <u>93,889</u>
Premium on Issuance	\$ <u>47,500</u>	\$ <u>8,418</u>
Capital lease:		
In fiscal year 2013, the Town entered into a long-term lease to finance the acquisition of a backhoe. This lease provides for 60 monthly payments in the amount of \$1,810, which includes principal and interest. Interest is charged at a rate of 3.2%. The tractor was capitalized in the amount of \$100,260. The lease and asset are split 50/50 between the general and enterprise fund.	\$ <u>44,685</u>	\$ <u>9,572</u>
Compensated absences	\$ <u>5,489</u>	\$ <u>549</u>
Total long-term obligations from business-type activities	<u>\$ 545,763</u>	<u>\$ 112,428</u>

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

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, 2013, rent and miscellaneous charges totaled \$335,423.

Water Agreements

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

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

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

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

NOTE 11—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 (professional) employees of public school divisions and 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 service credit in their plan.

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

- Members hired before July 1, 2010 and who were vested as of January 1, 2013 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 age 50 with at least 10 years of service credit.
- Members hired or rehired on or after July 1, 2010 and Plan 1 members who were not vested on January 1, 2013 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. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier. 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.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

NOTE 11—DEFINED BENEFIT PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

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 report may be obtained from the VRS website at <http://www.varetire.org/Pdf/publications/2012-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their compensation toward their retirement. All or part of the 5% member contribution may be 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% member contribution. This could be phased in over a period 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. 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 2013 was 8.77%, of annual covered payroll.

C. Annual Pension Cost

For fiscal year 2013, the Town's annual pension cost of \$54,474 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)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2013	\$ 54,474	100%	-
June 30, 2012	54,066	100%	-
June 30, 2011	50,041	100%	-

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

NOTE 11—DEFINED BENEFIT PENSION PLAN: (CONTINUED)

C. Annual Pension Cost (Continued)

The FY 2013 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, 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 for Plan 1 employees and 2.25% for Plan 2 employees. 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, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

D. Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the plan was 76.66% funded. The actuarial accrued liability for benefits was \$924,835, and the actuarial value of assets was \$708,989, resulting in an unfunded actuarial accrued liability (UAAL) of \$215,846. The covered payroll (annual payroll of active employees covered by the plan) was \$580,015, and ratio of the UAAL to the covered payroll was 37.21%.

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 12—CONTINGENT LIABILITIES:

At June 30, 2013 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 project. Of the \$240,828 contract, \$67,572 was outstanding at June 30, 2013.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

NOTE 14—RISK MANAGEMENT:

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

NOTE 15—UNEARNED AND UNAVAILABLE REVENUE:

Unearned and unavailable revenue represent amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available.

Land Lease - Unearned revenue representing amounts received in advance for the lease described in Note 10 totaled \$141,477 at June 30, 2013.

Unavailable Property Tax Revenue - Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$98,077 (including 2nd ½ tax billings of \$48,427 not due until December 5) at June 30, 2013.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2013 but paid in advance by the taxpayers totaled \$6,082 at June 30, 2013.

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 \$20,359 during fiscal year 2013 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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 191,234	\$ 191,234	\$ 187,851	\$ (3,383)
Other local taxes	584,800	584,800	596,057	11,257
Permits, privilege fees, and regulatory licenses	800	800	870	70
Fines and forfeitures	90,000	90,000	122,583	32,583
Revenue from the use of money and property	348,243	348,243	344,192	(4,051)
Miscellaneous	9,792	9,792	20,751	10,959
Intergovernmental revenues:				
Commonwealth	156,259	156,259	118,551	(37,708)
Federal	1,369,000	1,369,000	19,627	(1,349,373)
Total revenues	\$ 2,750,128	\$ 2,750,128	\$ 1,410,482	\$ (1,339,646)
EXPENDITURES				
Current:				
General government administration	\$ 552,105	\$ 549,884	\$ 519,534	\$ 30,350
Public safety	458,490	468,975	471,072	(2,097)
Public works	260,045	264,866	330,370	(65,504)
Health and welfare	4,100	4,100	4,051	49
Parks, recreation, and cultural	18,015	18,015	18,382	(367)
Community development	1,550	1,550	1,550	-
Capital projects	2,313,500	2,343,810	111,407	2,232,403
Debt service:				
Principal retirement	52,535	52,535	49,878	2,657
Interest and other fiscal charges	35,875	35,875	22,968	12,907
Total expenditures	\$ 3,696,215	\$ 3,739,610	\$ 1,529,212	\$ 2,210,398
Excess (deficiency) of revenues over (under) expenditures	\$ (946,087)	\$ (989,482)	\$ (118,730)	\$ 870,752
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 129,715	\$ 129,715	\$ 129,715	\$ -
Transfers out	(4,628)	(6,628)	(32,514)	(25,886)
Issuance of bonds	840,000	840,000	-	(840,000)
Issuance of capital lease	-	-	50,130	50,130
Total other financing sources (uses)	\$ 965,087	\$ 963,087	\$ 147,331	\$ (815,756)
Net change in fund balances	\$ 19,000	\$ (26,395)	\$ 28,601	\$ 54,996
Fund balances - beginning	(19,000)	26,395	326,106	299,711
Fund balances - ending	\$ -	\$ -	\$ 354,707	\$ 354,707

Pool Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 27,500	\$ 27,500	\$ 21,886	\$ (5,614)
Miscellaneous	4,500	4,500	7,085	2,585
Total revenues	<u>\$ 32,000</u>	<u>\$ 32,000</u>	<u>\$ 28,971</u>	<u>\$ (3,029)</u>
EXPENDITURES				
Current:				
Parks, recreation, and cultural	\$ 36,878	\$ 38,878	\$ 42,113	\$ (3,235)
Total expenditures	<u>\$ 36,878</u>	<u>\$ 38,878</u>	<u>\$ 42,113</u>	<u>\$ (3,235)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (4,878)</u>	<u>\$ (6,878)</u>	<u>\$ (13,142)</u>	<u>\$ (6,264)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 4,878	\$ 6,878	\$ 32,514	\$ 25,636
Total other financing sources (uses)	<u>\$ 4,878</u>	<u>\$ 6,878</u>	<u>\$ 32,514</u>	<u>\$ 25,636</u>
Net change in fund balances	\$ -	\$ -	\$ 19,372	\$ 19,372
Fund balances - beginning	-	-	31,528	31,528
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,900</u>	<u>\$ 50,900</u>

Virginia Retirement System
 Schedule of Pension Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Liability (UAAL) (b-a) (c)	Funded Ratio (a/b) (d)	Covered Payroll (e)	UAAL as % of Covered Payroll (c/e) (f)
June 30, 2012	\$ 708,989	\$ 924,835	\$ 215,846	76.66%	\$ 580,015	37.21%
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%

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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, 2013

	<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	\$ 74,212	\$ 27,155	\$ 39,493	\$ 61,874
Investments, at fair value:				
U.S. government obligations	334,621	8,197	8,195	334,623
Corporate stocks	18,280	10,767	-	29,047
Total assets	<u>\$ 427,113</u>	<u>\$ 46,119</u>	<u>\$ 47,688</u>	<u>\$ 425,544</u>
Liabilities				
Amounts held for Maplewood Cemetery	<u>\$ 427,113</u>	<u>\$ 46,119</u>	<u>\$ 47,688</u>	<u>\$ 425,544</u>
TOTALS - ALL AGENCY FUNDS:				
Assets				
Cash and cash equivalents	\$ 74,212	\$ 27,155	\$ 39,493	\$ 61,874
Investments, at fair value:				
U.S. government obligations	334,621	8,197	8,195	334,623
Corporate stocks	18,280	10,767	-	29,047
Total assets	<u>\$ 427,113</u>	<u>\$ 46,119</u>	<u>\$ 47,688</u>	<u>\$ 425,544</u>
Liabilities				
Amounts held for Maplewood Cemetery	<u>\$ 427,113</u>	<u>\$ 46,119</u>	<u>\$ 47,688</u>	<u>\$ 425,544</u>
Total liabilities	<u>\$ 427,113</u>	<u>\$ 46,119</u>	<u>\$ 47,688</u>	<u>\$ 425,544</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, 2013

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	\$ 116,000	\$ 116,000	\$ 109,382	\$ (6,618)
Real and personal public service corporation taxes	3,700	3,700	4,347	647
Personal property taxes	67,000	67,000	64,898	(2,102)
Mobile home taxes	34	34	25	(9)
Machinery and tools taxes	500	500	132	(368)
Penalties	1,000	1,000	5,706	4,706
Interest and other fees	3,000	3,000	3,361	361
Total general property taxes	<u>\$ 191,234</u>	<u>\$ 191,234</u>	<u>\$ 187,851</u>	<u>\$ (3,383)</u>
Other local taxes:				
Local sales and use taxes	\$ 125,000	\$ 125,000	\$ 135,617	\$ 10,617
Consumers' utility taxes	30,800	30,800	29,446	(1,354)
Cigarette taxes	30,000	30,000	25,500	(4,500)
Business license taxes	90,000	90,000	97,048	7,048
Motor vehicle licenses	27,000	27,000	24,332	(2,668)
Bank stock taxes	32,000	32,000	17,483	(14,517)
Restaurant food taxes	250,000	250,000	266,631	16,631
Total other local taxes	<u>\$ 584,800</u>	<u>\$ 584,800</u>	<u>\$ 596,057</u>	<u>\$ 11,257</u>
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	\$ 800	\$ 800	\$ 870	\$ 70
Total permits, privilege fees, and regulatory licenses	<u>\$ 800</u>	<u>\$ 800</u>	<u>\$ 870</u>	<u>\$ 70</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 90,000	\$ 90,000	\$ 122,573	\$ 32,573
Other fines	-	-	10	10
Total fines and forfeitures	<u>\$ 90,000</u>	<u>\$ 90,000</u>	<u>\$ 122,583</u>	<u>\$ 32,583</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 7,500	\$ 7,500	\$ 7,562	\$ 62
Revenue from use of property	340,743	340,743	336,630	(4,113)
Total revenue from use of money and property	<u>\$ 348,243</u>	<u>\$ 348,243</u>	<u>\$ 344,192</u>	<u>\$ (4,051)</u>
Miscellaneous revenue:				
Miscellaneous	\$ 9,792	\$ 9,792	\$ 20,751	\$ 10,959
Total revenue from local sources	<u>\$ 1,224,869</u>	<u>\$ 1,224,869</u>	<u>\$ 1,272,304</u>	<u>\$ 47,435</u>

Schedule of Revenues - Budget and Actual

Governmental Funds

For the Year Ended June 30, 2013 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Intergovernmental Revenues:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock taxes	\$ 940	\$ 940	\$ 2,211	\$ 1,271
Communication taxes	30,000	30,000	31,168	1,168
Personal property tax relief funds	33,719	33,719	33,719	-
Total noncategorical aid	<u>\$ 64,659</u>	<u>\$ 64,659</u>	<u>\$ 67,098</u>	<u>\$ 2,439</u>
Categorical aid:				
Other categorical aid:				
599 Funding	\$ 37,500	\$ 37,500	\$ 37,548	\$ 48
Litter control grant	3,100	3,100	4,411	1,311
Fire programs fund	8,000	8,000	8,000	-
Other categorical aid	3,000	3,000	1,494	(1,506)
Total other categorical aid	<u>\$ 91,600</u>	<u>\$ 91,600</u>	<u>\$ 51,453</u>	<u>\$ (40,147)</u>
Total revenue from the Commonwealth	<u>\$ 156,259</u>	<u>\$ 156,259</u>	<u>\$ 118,551</u>	<u>\$ (37,708)</u>
Revenue from the federal government:				
Categorical aid:				
State and community highway safety grant	\$ 4,000	\$ 4,000	\$ 3,330	\$ (670)
TEA-21 Streetscape grant	1,365,000	1,365,000	16,297	(1,348,703)
Total categorical aid	<u>\$ 1,369,000</u>	<u>\$ 1,369,000</u>	<u>\$ 19,627</u>	<u>\$ (1,349,373)</u>
Total revenue from the federal government	<u>\$ 1,369,000</u>	<u>\$ 1,369,000</u>	<u>\$ 19,627</u>	<u>\$ (1,349,373)</u>
Total General Fund	<u><u>\$ 2,750,128</u></u>	<u><u>\$ 2,750,128</u></u>	<u><u>\$ 1,410,482</u></u>	<u><u>\$ (1,339,646)</u></u>
Special Revenue Fund:				
Pool Fund:				
Revenue from local sources:				
Charges for services:				
Charges for open swim	\$ 13,000	\$ 13,000	\$ 7,961	\$ (5,039)
Charges for swim lessons	3,000	3,000	3,544	544
Charges for concessions	6,000	6,000	3,645	(2,355)
Charges for private rentals	1,500	1,500	780	(720)
Charges for swim team	4,000	4,000	5,956	1,956
Total charges for services	<u>\$ 27,500</u>	<u>\$ 27,500</u>	<u>\$ 21,886</u>	<u>\$ (5,614)</u>
Miscellaneous revenue:				
Donations	\$ 2,000	\$ 2,000	\$ 7,085	\$ 5,085
Other miscellaneous	2,500	2,500	-	(2,500)
Total miscellaneous revenue	<u>\$ 4,500</u>	<u>\$ 4,500</u>	<u>\$ 7,085</u>	<u>\$ 2,585</u>
Total revenue from local sources	<u>\$ 32,000</u>	<u>\$ 32,000</u>	<u>\$ 28,971</u>	<u>\$ (3,029)</u>
Total Pool Fund	<u><u>\$ 32,000</u></u>	<u><u>\$ 32,000</u></u>	<u><u>\$ 28,971</u></u>	<u><u>\$ (3,029)</u></u>
Total Primary Government	<u><u>\$ 2,782,128</u></u>	<u><u>\$ 2,782,128</u></u>	<u><u>\$ 1,439,453</u></u>	<u><u>\$ (1,342,675)</u></u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Town Council	\$ 22,420	\$ 22,420	\$ 19,595	\$ 2,825
General and financial administration:				
Administration	\$ 363,425	\$ 361,472	\$ 340,447	\$ 21,025
Town attorney	20,007	20,007	19,059	948
Treasurer	146,253	145,985	140,433	5,552
Total general and financial administration	<u>\$ 529,685</u>	<u>\$ 527,464</u>	<u>\$ 499,939</u>	<u>\$ 27,525</u>
Total general government administration	<u>\$ 552,105</u>	<u>\$ 549,884</u>	<u>\$ 519,534</u>	<u>\$ 30,350</u>
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 442,840	\$ 453,325	\$ 454,668	\$ (1,343)
Asset forfeiture	3,000	3,000	3,166	(166)
Total law enforcement and traffic control	<u>\$ 445,840</u>	<u>\$ 456,325</u>	<u>\$ 457,834</u>	<u>\$ (1,509)</u>
Fire and rescue services:				
Volunteer fire department	\$ 12,650	\$ 12,650	\$ 13,238	\$ (588)
Total fire and rescue services	<u>\$ 12,650</u>	<u>\$ 12,650</u>	<u>\$ 13,238</u>	<u>\$ (588)</u>
Total public safety	<u>\$ 458,490</u>	<u>\$ 468,975</u>	<u>\$ 471,072</u>	<u>\$ (2,097)</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 205,445	\$ 210,266	\$ 279,882	\$ (69,616)
Sanitation and waste removal:				
Refuse collection	\$ 50,000	\$ 50,000	\$ 43,277	\$ 6,723
Refuse disposal	1,500	1,500	3,149	(1,649)
Litter control	3,100	3,100	4,062	(962)
Total sanitation and waste removal	<u>\$ 54,600</u>	<u>\$ 54,600</u>	<u>\$ 50,488</u>	<u>\$ 4,112</u>
Total public works	<u>\$ 260,045</u>	<u>\$ 264,866</u>	<u>\$ 330,370</u>	<u>\$ (65,504)</u>
Health and welfare:				
Welfare:				
Property tax relief for the elderly and handicapped	\$ 2,400	\$ 2,400	\$ 2,351	\$ 49
Piedmont Regional Dental Clinic	500	500	500	-
Other	1,200	1,200	1,200	-
Total welfare	<u>\$ 4,100</u>	<u>\$ 4,100</u>	<u>\$ 4,051</u>	<u>\$ 49</u>
Total health and welfare	<u>\$ 4,100</u>	<u>\$ 4,100</u>	<u>\$ 4,051</u>	<u>\$ 49</u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013 (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	\$ 1,652	\$ 348
Total parks and recreation	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ 1,652</u>	<u>\$ 348</u>
Cultural enrichment:				
Historic Gordonsville	\$ 2,250	\$ 2,250	\$ 2,250	\$ -
Visitor's Center	13,765	13,765	14,480	(715)
Total cultural enrichment	<u>\$ 16,015</u>	<u>\$ 16,015</u>	<u>\$ 16,730</u>	<u>\$ (715)</u>
Total parks, recreation, and cultural	<u>\$ 18,015</u>	<u>\$ 18,015</u>	<u>\$ 18,382</u>	<u>\$ (367)</u>
Community development:				
Planning and community development:				
Other community development	\$ 1,550	\$ 1,550	\$ 1,550	\$ -
Total community development	<u>\$ 1,550</u>	<u>\$ 1,550</u>	<u>\$ 1,550</u>	<u>\$ -</u>
Capital projects:				
Other capital projects	\$ 42,600	\$ 42,600	\$ 1,942	\$ 40,658
Public works facility	500,000	516,000	200	515,800
East Street	50,000	64,310	30,317	33,993
Streetscape - Town	340,000	340,000	2,891	337,109
Streetscape - VDOT	1,365,000	1,365,000	11,568	1,353,432
Police department vehicles	15,000	15,000	13,474	1,526
Equipment purchase	900	900	51,015	(50,115)
Total capital projects	<u>\$ 2,313,500</u>	<u>\$ 2,343,810</u>	<u>\$ 111,407</u>	<u>\$ 2,232,403</u>
Debt service:				
Principal retirement	\$ 52,535	\$ 52,535	\$ 49,878	\$ 2,657
Interest and other fiscal charges	35,875	35,875	22,968	12,907
Total debt service	<u>\$ 88,410</u>	<u>\$ 88,410</u>	<u>\$ 72,846</u>	<u>\$ 15,564</u>
Total General Fund	<u>\$ 3,696,215</u>	<u>\$ 3,739,610</u>	<u>\$ 1,529,212</u>	<u>\$ 2,210,398</u>
Special Revenue Fund:				
Pool Fund:				
Parks and Recreation:				
Swimming Pool	\$ 36,878	\$ 38,878	\$ 42,113	\$ (3,235)
Total Pool Fund	<u>\$ 36,878</u>	<u>\$ 38,878</u>	<u>\$ 42,113</u>	<u>\$ (3,235)</u>
Total Primary Government	<u>\$ 3,733,093</u>	<u>\$ 3,778,488</u>	<u>\$ 1,571,325</u>	<u>\$ 2,207,163</u>

Compliance

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Gordonsville, Virginia as of and for the year ended June 30, 2013, 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 November 4, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Robinson, Farmer, & Associates

Charlottesville, Virginia

November 4, 2013