



TOWN OF GORDONSVILLE, VIRGINIA  
FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2014



# TOWN OF GORDONSVILLE, VIRGINIA

Annual Financial Report  
For the Year Ended June 30, 2014

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TOWN OF GORDONSVILLE, VIRGINIA

Annual Financial Report  
For the Year Ended June 30, 2014

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**TOWN OF GORDONSVILLE, VIRGINIA**

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**Town Council**

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Robert K. Coiner, Mayor

Emily Winkey, Vice Mayor

Pam Black

Wendy Hartsook

Robert Hall

Chris Colby

**Officials**

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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

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## Independent Auditors' Report

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Town of Gordonsville, Virginia, as of and for the year ended June 30, 2014, 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, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedule of pension funding progress on pages 44-46 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 3, 2014, on our consideration of Town of Gordonsville, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Gordonsville, Virginia's internal control over financial reporting and compliance.

*Robinson, Farmer, Co. Associates*  
Charlottesville, Virginia  
November 3, 2014

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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, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 236,245	\$ 954,073	\$ 1,190,318
Certificate of deposit	400,000	-	400,000
Receivables, net of allowance for uncollectibles:			
Taxes receivable	91,087	-	91,087
Accounts receivable	31,543	111,995	143,538
Due from other governmental units	45,882	2,275	48,157
Restricted assets:			
Cash held for customer deposits	-	29,274	29,274
Capital assets, net of accumulated depreciation:			
Land	184,749	31,833	216,582
Construction in progress	256,646	13,804	270,450
Land improvements	36,730	-	36,730
Buildings, systems, and improvements	516,286	1,816,970	2,333,256
Infrastructure	314,550	-	314,550
Machinery, equipment and vehicles	127,041	156,013	283,054
Total assets	<u>\$ 2,240,759</u>	<u>\$ 3,116,237</u>	<u>\$ 5,356,996</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 16,418	\$ 7,557	\$ 23,975
Accrued liabilities	31,778	13,100	44,878
Customers' deposits payable from restricted assets	-	29,274	29,274
Accrued interest payable	3,247	2,772	6,019
Unearned revenue	204,009	-	204,009
Long-term liabilities:			
Due within one year	74,032	56,784	130,816
Due in more than one year	486,011	381,943	867,954
Total liabilities	<u>\$ 815,495</u>	<u>\$ 491,430</u>	<u>\$ 1,306,925</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred revenue - property taxes	<u>\$ 54,478</u>	<u>\$ -</u>	<u>\$ 54,478</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 929,907	\$ 1,586,066	\$ 2,515,973
Restricted:			
Pool improvements and activities	49,685	-	49,685
Law enforcement	5,503	-	5,503
Unrestricted	385,691	1,038,741	1,424,432
Total net position	<u>\$ 1,370,786</u>	<u>\$ 2,624,807</u>	<u>\$ 3,995,593</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, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT:</b>				
Governmental activities:				
General government administration	\$ 434,860	\$ 1,503	\$ -	\$ -
Public safety	461,133	200,900	53,948	-
Public works	375,600	-	3,891	-
Health and welfare	4,149	-	-	-
Parks, recreation, and cultural	75,973	20,448	-	10,160
Community development	1,300	-	-	-
Interest on long-term debt	11,719	-	-	-
Total governmental activities	<u>\$ 1,364,734</u>	<u>\$ 222,851</u>	<u>\$ 57,839</u>	<u>\$ 10,160</u>
Business-type activities:				
Water and Sewer Fund	\$ 824,815	\$ 1,018,591	\$ -	\$ 18,250
Total business-type activities	<u>\$ 824,815</u>	<u>\$ 1,018,591</u>	<u>\$ -</u>	<u>\$ 18,250</u>
Total primary government	<u>\$ 2,189,549</u>	<u>\$ 1,241,442</u>	<u>\$ 57,839</u>	<u>\$ 28,410</u>

General revenues:

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

Total general revenues

Change in net position

Net position - beginning - as restated

Net position - ending

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



Exhibit 2

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (433,357)		\$ (433,357)
(206,285)		(206,285)
(371,709)		(371,709)
(4,149)		(4,149)
(45,365)		(45,365)
(1,300)		(1,300)
(11,719)		(11,719)
<u>\$ (1,073,884)</u>		<u>\$ (1,073,884)</u>
	\$ 212,026	\$ 212,026
	<u>\$ 212,026</u>	<u>\$ 212,026</u>
<u>\$ (1,073,884)</u>	<u>\$ 212,026</u>	<u>\$ (861,858)</u>
\$ 187,036	\$ -	\$ 187,036
153,697	-	153,697
29,315	-	29,315
90,597	-	90,597
294,119	-	294,119
59,736	-	59,736
352,414	45,935	398,349
11,402	-	11,402
61,778	-	61,778
<u>\$ 1,240,094</u>	<u>\$ 45,935</u>	<u>\$ 1,286,029</u>
\$ 166,210	\$ 257,961	\$ 424,171
1,204,576	2,366,846	3,571,422
<u>\$ 1,370,786</u>	<u>\$ 2,624,807</u>	<u>\$ 3,995,593</u>

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## **Fund Financial Statements**

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Balance Sheet  
 Governmental Funds  
 June 30, 2014

	<u>General Fund</u>	<u>Pool Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 174,520	\$ 61,725	\$ 236,245
Certificate of deposit	400,000	-	400,000
Receivables, net of allowance for uncollectibles			
Taxes receivable	91,087	-	91,087
Accounts receivable	31,543	-	31,543
Due from other governmental units	45,882	-	45,882
Total assets	<u>\$ 743,032</u>	<u>\$ 61,725</u>	<u>\$ 804,757</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 8,965	\$ 7,453	\$ 16,418
Accrued liabilities	27,306	4,472	31,778
Unearned revenue	204,009	-	204,009
Total liabilities	<u>\$ 240,280</u>	<u>\$ 11,925</u>	<u>\$ 252,205</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	\$ 95,495	\$ -	\$ 95,495
<b>FUND BALANCES</b>			
Restricted:			
Pool capital donations	\$ -	\$ 49,023	\$ 49,023
Learn to swim scholarship	-	347	347
Pool pass donations	-	315	315
Law enforcement	5,503	-	5,503
Committed:			
East Street project	25,000	-	25,000
Water tank	25,000	-	25,000
Holladay	36,000	-	36,000
Security system	25,000	-	25,000
Public works facility	16,520	-	16,520
Other	-	115	115
Unassigned	274,234	-	274,234
Total fund balances	<u>\$ 407,257</u>	<u>\$ 49,800</u>	<u>\$ 457,057</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 743,032</u>	<u>\$ 61,725</u>	<u>\$ 804,757</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, 2014

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Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	457,057	
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		256,646	
Land improvements		36,730	
Buildings and improvements		516,286	
Infrastructure		314,550	
Machinery, equipment and vehicles		<u>127,041</u>	1,436,002
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			41,017
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.			
Bonds	\$	(461,678)	
Capital leases		(44,417)	
Compensated absences		(53,948)	
Accrued interest payable		<u>(3,247)</u>	(563,290)
Net position of governmental activities	\$		<u><u>1,370,786</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, 2014

	<u>General Fund</u>	<u>Pool Fund</u>	<u>Total</u>
<b>REVENUES</b>			
General property taxes	\$ 195,670	\$ -	\$ 195,670
Other local taxes	627,464	-	627,464
Permits, privilege fees, and regulatory licenses	1,503	-	1,503
Fines and forfeitures	200,900	-	200,900
Revenue from the use of money and property	352,414	-	352,414
Charges for services	-	20,448	20,448
Miscellaneous	8,702	2,700	11,402
Intergovernmental:			
Commonwealth	119,197	-	119,197
Federal	10,580	-	10,580
Total revenues	<u>\$ 1,516,430</u>	<u>\$ 23,148</u>	<u>\$ 1,539,578</u>
<b>EXPENDITURES</b>			
Current:			
General government administration	\$ 406,939	\$ -	\$ 406,939
Public safety	447,905	-	447,905
Public works	345,880	-	345,880
Health and welfare	4,149	-	4,149
Parks, recreation, and cultural	32,924	42,825	75,749
Community development	1,300	-	1,300
Capital projects	89,630	-	89,630
Debt service:			
Principal retirement	56,377	-	56,377
Interest and other fiscal charges	21,941	-	21,941
Total expenditures	<u>\$ 1,407,045</u>	<u>\$ 42,825</u>	<u>\$ 1,449,870</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 109,385</u>	<u>\$ (19,677)</u>	<u>\$ 89,708</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	\$ -	\$ 18,577	\$ 18,577
Transfers out	(18,577)	-	(18,577)
Issuance of capital lease	18,332	-	18,332
Total other financing sources (uses)	<u>\$ (245)</u>	<u>\$ 18,577</u>	<u>\$ 18,332</u>
Net change in fund balances	\$ 109,140	\$ (1,100)	\$ 108,040
Fund balances - beginning - as restated	298,117	50,900	349,017
Fund balances - ending	<u>\$ 407,257</u>	<u>\$ 49,800</u>	<u>\$ 457,057</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, 2014

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

Net change in fund balances - total governmental funds	\$	108,040
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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	\$	94,742	
Depreciation		<u>(73,833)</u>	20,909

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.	(8,634)
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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	\$	(18,332)	
Payment of principal		56,401	
Amortization of premium on issuance		<u>9,883</u>	47,952

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	\$	(2,374)	
Accrued interest payable		<u>317</u>	<u>(2,057)</u>

Change in net position of governmental activities	\$	<u><u>166,210</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, 2014

	<u>Enterprise Fund</u>
	<u>Water and Sewer Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 954,073
Accounts receivable, net of allowance for uncollectibles	111,995
Due from other governmental units	2,275
Total current assets	<u>\$ 1,068,343</u>
Noncurrent assets:	
Restricted assets:	
Cash held for customer deposits	\$ 29,274
Capital assets:	
Land	31,833
Construction in progress	13,804
Buildings and systems, net of accumulated depreciation	1,816,970
Machinery and equipment, net of accumulated depreciation	156,013
Total capital assets	<u>\$ 2,018,620</u>
Total noncurrent assets	<u>\$ 2,047,894</u>
Total assets	<u>\$ 3,116,237</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 7,557
Accrued liabilities	13,100
Customers' deposits payable from restricted assets	29,274
Accrued interest payable	2,772
Compensated absences - current portion	617
Bonds payable - current portion	42,125
Capital lease - current portion	14,042
Total current liabilities	<u>\$ 109,487</u>
Noncurrent liabilities:	
Compensated absences - net of current portion	\$ 5,556
Bonds payable - net of current portion	351,157
Capital lease - net of current portion	25,230
Total noncurrent liabilities	<u>\$ 381,943</u>
Total liabilities	<u>\$ 491,430</u>
<b>NET POSITION</b>	
Net investment in capital assets	\$ 1,586,066
Unrestricted	1,038,741
Total net position	<u>\$ 2,624,807</u>

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

Statement of Revenues, Expenses, and Changes in Net Position  
 Proprietary Fund  
 For the Year Ended June 30, 2014

	<u>Enterprise Fund</u>
	<u>Water and Sewer Fund</u>
<b>OPERATING REVENUES</b>	
Charges for services:	
Water revenues	\$ 690,279
Sewer revenues	317,893
Connection fees	250
Delinquent fees	5,450
Cut on fees	1,940
Miscellaneous	2,779
Total operating revenues	<u>\$ 1,018,591</u>
<b>OPERATING EXPENSES</b>	
Water and water tests	\$ 259,591
Sewer	203,211
Salaries, wages, and benefits	152,099
Repairs and maintenance	29,522
Materials and supplies	6,871
Depreciation	115,567
Other operating expenses	47,658
Total operating expenses	<u>\$ 814,519</u>
Operating income (loss)	<u>\$ 204,072</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Use of Property	\$ 45,935
Interest expense	(10,296)
Total nonoperating revenues (expenses)	<u>\$ 35,639</u>
Income before capital contributions	\$ 239,711
Capital contributions	18,250
Change in net position	<u>\$ 257,961</u>
Total net position - beginning	2,366,846
Total net position - ending	<u><u>\$ 2,624,807</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, 2014

	<u>Enterprise Fund</u>
	<u>Water and Sewer Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 1,003,322
Payments to suppliers	(602,128)
Payments to employees	(144,408)
Net cash provided by (used for) operating activities	<u>\$ 256,786</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Use of Property	\$ 45,935
Net cash provided by (used for) noncapital financing activities	<u>\$ 45,935</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Additions to CIP and machinery and equipment	\$ (24,821)
Principal payments on bonds	(93,889)
Principal payments on capital lease	(13,649)
Contributions in aid of construction	18,250
Interest payments	(19,284)
Net cash provided by (used for) capital and related financing activities	<u>\$ (133,393)</u>
Net increase (decrease) in cash and cash equivalents	\$ 169,328
Cash and cash equivalents - beginning (including restricted)	814,019
Cash and cash equivalents - ending (including restricted)	<u><u>\$ 983,347</u></u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>	
Operating income (loss)	\$ 204,072
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation expense	\$ 115,567
(Increase) decrease in accounts receivable	(19,519)
Increase (decrease) in customer deposits	4,250
Increase (decrease) in accounts payable	(55,275)
Increase (decrease) in accrued liabilities	7,007
Increase (decrease) in compensated absences	684
Total adjustments	<u>\$ 52,714</u>
Net cash provided by (used for) operating activities	<u><u>\$ 256,786</u></u>
Noncash investing, capital, and financing activities:	
Borrowing under capital lease	<u><u>\$ 8,236</u></u>

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

Statement of Fiduciary Net Position  
 Fiduciary Funds  
 June 30, 2014

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	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 63,402
Investments, at fair value:	
U.S. government obligations	384,658
Corporate stocks	25,830
Total assets	<u>\$ 473,890</u>
<b>LIABILITIES</b>	
Amounts held for Maplewood Cemetery	<u>\$ 473,890</u>
Total liabilities	<u>\$ 473,890</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, 2014

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

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**Narrative Profile**

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

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

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

**A. Financial Reporting Entity**

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

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

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

**B. Government-wide and Fund Financial Statements**

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

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

## TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2014 (Continued)

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

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

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

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

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

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

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

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

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

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

## TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2014 (Continued)

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

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

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

The following is a brief description of the specific funds used by the Town in FY 2014.

##### 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, 2014 (Continued)

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

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

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

#### D. Budgets and Budgetary Accounting

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

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

1. On or before April 1 of each year, the Town Manager submits to Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public notice regarding the proposed budget is circulated in accordance with Virginia statute, and at least one public hearing is conducted at Town Hall to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted through passage of an appropriation resolution. Town Council may approve supplemental appropriations.
4. The legal level of control is at the function level within an individual fund. The Town Manager is authorized to transfer budgeted amounts within departments within any fund; however, any revisions between departments, from the contingency line item, or that alter the total expenditures of any fund must be approved by Town Council.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and Water and Sewer Fund.
6. The budgets for the General Fund and Water and Sewer Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. A review of the presented budget comparisons herein will disclose how accurately Town Council was actually able to forecast the revenues and expenditures of the Town.
8. Appropriations lapse on June 30, unless carried forward by a resolution of Town Council.
9. Budgetary amounts as presented in the financial statements reflect budget revisions through June 30, 2014.



**TOWN OF GORDONSVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2014 (Continued)

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

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**E. Expenditures and Appropriations**

Expenditures did not exceed appropriations in any fund at June 30, 2014.

**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, 2014 consisted of amounts invested in the Local Government Investment Pool and a 60 month certificate of deposit, which are reported at fair value.

**H. Inventory and Prepaid Items**

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

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

**I. Allowance for Uncollectible Accounts**

The Town calculates its allowances for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance for uncollectible taxes and water and sewer receivables are \$14,454 and \$34,173, respectively at June 30, 2014.

**J. Capital Assets**

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

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

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

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**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.

**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, 2014.

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.

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

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**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.

**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 OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2014 (Continued)

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

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#### Q. Fund Equity: (Continued)

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

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

#### R. 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.

### NOTE 2—DEPOSITS AND INVESTMENTS:

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#### Deposits

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

#### Investments

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

**TOWN OF GORDONSVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2014 (Continued)

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

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Custodial Credit Risk (Investments)

The Town's investments at June 30, 2014 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, 2014 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>885,364</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.

**NOTE 3—PROPERTY TAXES:**

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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 2014 were \$.10 and \$.99 per \$100 of real estate and personal property assessed valuation, respectively.

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

**TOWN OF GORDONSVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2014 (Continued)

**NOTE 4—ACCOUNTS RECEIVABLE:**

Accounts receivable are detailed as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Property taxes	\$ 105,541	\$ -
Meals taxes	29,230	-
Consumer utility taxes	1,974	-
Consumption taxes	339	-
Other	-	146,168
	<u>137,084</u>	<u>146,168</u>
Total	\$ 137,084	\$ 146,168
Allowance for uncollectibles	<u>(14,454)</u>	<u>(34,173)</u>
	<u>122,630</u>	<u>111,995</u>
Net receivables	\$ <u>122,630</u>	\$ <u>111,995</u>

**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>
<b>Town of Orange:</b>		
Raw Water Storage Basin	\$ -	\$ 2,275
<b>Commonwealth of Virginia:</b>		
Communication tax	2,569	-
TEA-21 streetscape grant	556	-
Other	1,010	-
<b>County of Orange, Virginia:</b>		
Local sales taxes	<u>41,747</u>	<u>-</u>
Total	\$ <u>45,882</u>	\$ <u>2,275</u>

**NOTE 6—INTERFUND ACTIVITY:**

Details of interfund activity as of June 30, 2014 are as follows:

Transfers To/From Other Funds:

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

\$ 18,577

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2014 (Continued)

**NOTE 7—CAPITAL ASSETS:**

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

	<u>Balance July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2014</u>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 184,749	\$ -	\$ -	\$ 184,749
Construction in progress	<u>210,747</u>	<u>45,899</u>	<u>-</u>	<u>256,646</u>
Total capital assets not being depreciated	<u>\$ 395,496</u>	<u>\$ 45,899</u>	<u>\$ -</u>	<u>\$ 441,395</u>
Other capital assets:				
Land Improvements	\$ 134,928	\$ -	\$ -	\$ 134,928
Buildings and Improvements	926,321	-	-	926,321
Infrastructure	552,119	-	-	552,119
Intangibles	42,349	-	-	42,349
Machinery, equipment and vehicles	<u>710,390</u>	<u>48,843</u>	<u>16,389</u>	<u>742,844</u>
Total other capital assets	<u>\$ 2,366,107</u>	<u>\$ 48,843</u>	<u>\$ 16,389</u>	<u>\$ 2,398,561</u>
Accumulated depreciation:				
Land Improvements	\$ 93,415	\$ 4,783	\$ -	\$ 98,198
Buildings and Improvements	386,454	23,581	-	410,035
Infrastructure	226,888	10,681	-	237,569
Intangibles	38,366	3,983	-	42,349
Machinery, equipment and vehicles	<u>601,387</u>	<u>30,805</u>	<u>16,389</u>	<u>615,803</u>
Total accumulated depreciation	<u>\$ 1,346,510</u>	<u>\$ 73,833</u>	<u>\$ 16,389</u>	<u>\$ 1,403,954</u>
Other capital assets, net	<u>\$ 1,019,597</u>	<u>\$ (24,990)</u>	<u>\$ -</u>	<u>\$ 994,607</u>
Net capital assets	<u>\$ 1,415,093</u>	<u>\$ 20,909</u>	<u>\$ -</u>	<u>\$ 1,436,002</u>
Depreciation is allocated to:				
General government administration		\$ 29,616		
Public safety		9,609		
Public works		28,589		
Parks, Recreation, and Cultural		<u>6,019</u>		
Total		<u>\$ 73,833</u>		

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2014 (Continued)

NOTE 7—CAPITAL ASSETS: (CONTINUED)

Business-type Activities:	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Capital assets not being depreciated:				
Land	\$ 31,833	\$ -	\$ -	\$ 31,833
Construction in progress	12,966	13,804	12,966	13,804
Total capital assets not being depreciated	<u>\$ 44,799</u>	<u>\$ 13,804</u>	<u>\$ 12,966</u>	<u>\$ 45,637</u>
Other capital assets:				
Buildings and systems	\$ 3,672,649	\$ 12,966	\$ -	\$ 3,685,615
Machinery and Equipment	301,722	19,253	-	320,975
Total other capital assets	<u>\$ 3,974,371</u>	<u>\$ 32,219</u>	<u>\$ -</u>	<u>\$ 4,006,590</u>
Accumulated depreciation:				
Buildings and systems	\$ 1,782,852	\$ 85,793	\$ -	\$ 1,868,645
Machinery and Equipment	135,188	29,774	-	164,962
Total accumulated depreciation	<u>\$ 1,918,040</u>	<u>\$ 115,567</u>	<u>\$ -</u>	<u>\$ 2,033,607</u>
Other capital assets, net	<u>\$ 2,056,331</u>	<u>\$ (83,348)</u>	<u>\$ -</u>	<u>\$ 1,972,983</u>
Net capital assets	<u>\$ 2,101,130</u>	<u>\$ (69,544)</u>	<u>\$ 12,966</u>	<u>\$ 2,018,620</u>
Depreciation is allocated to:				
Water and sewer operations		<u>\$ 115,567</u>		

NOTE 8—COMPENSATED ABSENCES:

In accordance with GASB Statement 16, *Accounting for Compensated Absences*, the Town has accrued the liability arising from outstanding compensated absences. Town employees earn vacation and sick leave based upon length of service. The Town has outstanding accrued compensated absences totaling \$53,948 in governmental activities (funded by the General Fund) and \$6,173 in the Enterprise Fund.



**TOWN OF GORDONSVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2014 (Continued)

**NOTE 9—LONG-TERM OBLIGATIONS:**

The following is a summary of long-term obligations of the Town for the year ended June 30, 2014.

	<u>Balance</u> <u>July 1, 2013</u>	<u>Issuances/</u> <u>Increases</u>	<u>Retirements/</u> <u>Decreases</u>	<u>Balance</u> <u>June 30, 2014</u>
Long-term liabilities payable from governmental activities:				
Bond	\$ 453,600	\$ -	\$ 37,800	\$ 415,800
Premium on Bond	55,761	-	9,883	45,878
Capital leases	44,686	18,332	18,601	44,417
Compensated absences	51,574	2,374	-	53,948
	<u>605,621</u>	<u>20,706</u>	<u>66,284</u>	<u>560,043</u>
Total from governmental activities	\$ <u>605,621</u>	\$ <u>20,706</u>	\$ <u>66,284</u>	\$ <u>560,043</u>
Long-term liabilities payable from business-type activities:				
Bonds	\$ 448,089	\$ -	\$ 93,889	\$ 354,200
Premium on Bonds	47,500	-	8,418	39,082
Capital leases	44,685	8,236	13,649	39,272
Compensated absences	5,489	684	-	6,173
	<u>545,763</u>	<u>8,920</u>	<u>115,956</u>	<u>438,727</u>
Total from business-type activities	\$ <u>545,763</u>	\$ <u>8,920</u>	\$ <u>115,956</u>	\$ <u>438,727</u>
Total long-term obligations	<u>\$ 1,151,384</u>	<u>\$ 29,626</u>	<u>\$ 182,240</u>	<u>\$ 998,770</u>
Reconciliation to Exhibit 1:				
Long-term liabilities:				
Due within one year			\$ 130,816	
Due in more than one year			<u>867,954</u>	
Total long-term liabilities			<u>\$ 998,770</u>	

**TOWN OF GORDONSVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2014 (Continued)

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

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

Year Ended June 30,	VRA Series 2002A \$905,000	
	Principal	Interest
2015	\$ 75,000	\$ 33,841
2016	75,000	30,222
2017	80,000	26,775
2018	80,000	23,200
2019	80,000	19,775
2020	85,000	16,397
2021	90,000	12,512
2022	100,000	7,944
2023	105,000	2,691
Totals	\$ <u>770,000</u>	\$ <u>173,357</u>

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

Year Ended June 30,	Backhoe \$100,260		BAI Upgrade \$26,568		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 19,766	\$ 1,959	\$ 13,462	\$ 294	\$ 33,228	\$ 2,253
2016	20,408	1,317	-	-	20,408	1,317
2017	21,071	654	-	-	21,071	654
2018	8,982	72	-	-	8,982	72
Totals	\$ <u>70,227</u>	\$ <u>4,002</u>	\$ <u>13,462</u>	\$ <u>294</u>	\$ <u>83,689</u>	\$ <u>4,296</u>

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2014 (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.	\$ 415,800	\$ 40,500
Premium on Issuance	\$ 45,878	\$ 8,951
Capital leases:		
In fiscal year 2013, the Town entered into a long-term lease to finance the acquisition of a backhoe. This lease provides for 60 monthly payments in the amount of \$1,810, which includes principal and interest. Interest is charged at a rate of 3.2%. The tractor was capitalized in the amount of \$100,260. The lease and asset are split 50/50 between the general and enterprise fund.	\$ 35,114	\$ 9,883
In fiscal year 2014, the Town entered into a long-term lease through June, 2015 to finance a BAI upgrade. This lease provides for monthly payments in the amount of \$1,504, which includes principal, interest, and maintenance fees. Interest is charged at a rate of 3.04%. The upgrade was capitalized in the amount of \$26,568. The lease and asset are split 69/31 between the general and enterprise fund.	\$ 9,303	\$ 9,303
Total capital leases payable	\$ 44,417	\$ 19,186
Compensated absences	\$ 53,948	\$ 5,395
Total long-term obligations from governmental activities	<u>\$ 560,043</u>	<u>\$ 74,032</u>

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2014 (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.	\$ 354,200	\$ 34,500
Premium on Issuance	\$ 39,082	\$ 7,625
Capital leases:		
In fiscal year 2013, the Town entered into a long-term lease to finance the acquisition of a backhoe. This lease provides for 60 monthly payments in the amount of \$1,810, which includes principal and interest. Interest is charged at a rate of 3.2%. The tractor was capitalized in the amount of \$100,260. The lease and asset are split 50/50 between the general and enterprise fund.	\$ 35,113	\$ 9,883
In fiscal year 2014, the Town entered into a long-term lease through June, 2015 to finance a BAI upgrade. This lease provides for 24 monthly payments in the amount of \$1,504, which includes principal, interest, and maintenance fees. Interest is charged at a rate of 3.04%. The upgrade was capitalized in the amount of \$26,568. The lease and asset are split 69/31 between the general and enterprise fund.	\$ 4,159	\$ 4,159
Total capital leases payable	\$ 39,272	\$ 14,042
Compensated absences	\$ 6,173	\$ 617
Total long-term obligations from business-type activities	<u>\$ 438,727</u>	<u>\$ 56,784</u>

## TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2014 (Continued)

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

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#### Lease of Land

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

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

Rent revenue under the contract totals approximately \$232,000 per year, not including miscellaneous charges. For the fiscal year ended June 30, 2014, rent and miscellaneous charges totaled \$343,788.

#### 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, 2014 (Continued)

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**NOTE 11—PENSION PLAN:**

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**A. Plan Description**

Name of Plan: Virginia Retirement System (VRS)  
Identification of Plan: Agent and Cost-Sharing Multiple-Employer 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. Members earn one month of service credit for each month they are employed and they and their employer are paying contributions to 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.

Within the VRS Plan, the System administers three different benefit plans for local government employees - Plan 1, Plan 2, and, Hybrid. Each plan has different eligibility and benefit structures as set out below:

**VRS – PLAN 1**

- 1. Plan Overview** - VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
- 2. Eligible Members** - Employees are in VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
- 3. Hybrid Opt-In Election** - VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.

- 4. Retirement Contributions** - Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.

**NOTE 11—PENSION PLAN: (CONTINUED)**

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**A. Plan Description (Continued)**

**VRS – PLAN 1 (CONTINUED)**

5. **Creditable Service** - Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.
6. **Vesting** - Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

Members are always 100% vested in the contributions that they make.

7. **Calculating the Benefit** - The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.

An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

8. **Average Final Compensation** - A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.
9. **Service Retirement Multiplier** - The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.

10. **Normal Retirement Age** - Age 65.

11. **Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

12. **Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.

**NOTE 11—PENSION PLAN: (CONTINUED)**

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**A. Plan Description (Continued)**

**VRS – PLAN 1 (CONTINUED)**

**13. Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

**14. Eligibility** - For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.

For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

**15. Exceptions to COLA Effective Dates** - The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

**16. Disability Coverage** - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.



**NOTE 11—PENSION PLAN: (CONTINUED)**

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**A. Plan Description (Continued)**

**VRS – PLAN 1 (CONTINUED)**

- 17. Purchase of Prior Service** - Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

**VRS – PLAN 2**

- 1. Plan Overview** - VRS Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.
- 2. Eligible Members** - Employees are in VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.
- 3. Hybrid Opt-In Election** - VRS Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 2 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and have prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.

- 4. Retirement Contributions** - Same as VRS Plan 1—Refer to Section 4.
- 5. Creditable Service** - Same as VRS Plan 1— Refer to Section 5.
- 6. Vesting** - Same as VRS Plan 1—Refer to Section 6.
- 7. Calculating the Benefit** - Same as VRS Plan 1—Refer to Section 7.
- 8. Average Final Compensation** - A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.
- 9. Service Retirement Multiplier** - Same as Plan1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.

**NOTE 11—PENSION PLAN: (CONTINUED)**

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**A. Plan Description (Continued)**

**VRS – PLAN 2 (CONTINUED)**

10. **Normal Retirement Age** - Normal Social Security retirement age.
11. **Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.  
  
Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.
12. **Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.
13. **Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.
14. **Eligibility** - Same as VRS Plan 1—Refer to Section 14.
15. **Exceptions to COLA Effective Dates** - Same as VRS Plan 1—Refer to Section 15.
16. **Disability Coverage** - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.  
  
Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.  
  
VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.
17. **Purchase of Prior Service** - Same as VRS Plan 1—Refer to Section 17.

**HYBRID RETIREMENT PLAN**

1. **Plan Overview** - The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See “Eligible Members”)
  - The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.

**NOTE 11—PENSION PLAN: (CONTINUED)**

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**A. Plan Description (Continued)**

**HYBRID RETIREMENT PLAN (CONTINUED)**

**1. Plan Overview (Continued)**

- The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
- In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

**2. Eligible Members** - Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:

- State employees\*
- School division employees
- Political subdivision employees\*
- Judges appointed or elected to an original term on or after January 1, 2014
- Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014

**3. \*Non-Eligible Members** - Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:

- Members of the State Police Officers' Retirement System (SPORS)
- Members of the Virginia Law Officers' Retirement System (VaLORS)
- Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.

**NOTE 11—PENSION PLAN: (CONTINUED)**

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**A. Plan Description (Continued)**

**HYBRID RETIREMENT PLAN (CONTINUED)**

**4. Retirement Contributions** - A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

**5. Creditable Service**

Defined Benefit Component - Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Defined Contribution Component - Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

**6. Vesting**

Defined Benefit Component - Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. VRS Plan 1 or VRS Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Defined Contribution Component - Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.

Members are always 100% vested in the contributions that they make.

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.

**NOTE 11—PENSION PLAN: (CONTINUED)**

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**A. Plan Description (Continued)**

**HYBRID RETIREMENT PLAN (CONTINUED)**

**6. Vesting (Continued)**

- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required by law until age 70½.

**7. Calculating the Benefit**

Defined Benefit Component - Same as VRS Plan 1—Refer to Section 7.

Defined Contribution Component - The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

**8. Average Final Compensation** - Same as VRS Plan 2—Refer to Section 8. It is used in the retirement formula for the defined benefit component of the plan.

**9. Service Retirement Multiplier** - The retirement multiplier is 1.0%.

For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

**10. Normal Retirement Age**

Defined Benefit Component - Same as VRS Plan 2—Refer to Section 10.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

**11. Earliest Unreduced Retirement Eligibility**

Defined Benefit Component - Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2014 (Continued)

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NOTE 11—PENSION PLAN: (CONTINUED)

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A. Plan Description (Continued)

**HYBRID RETIREMENT PLAN (CONTINUED)**

**12. Earliest Reduced Retirement Eligibility**

Defined Benefit Component - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

**13. Cost-of-Living Adjustment (COLA) in Retirement**

Defined Benefit Component - Same as VRS Plan 2—Refer to Section 13.

Defined Contribution Component - Not Applicable.

**14. Eligibility** - Same as VRS Plan 1 and VRS Plan 2—Refer to Section 14.

**15. Exceptions to COLA Effective Dates** - Same as VRS Plan 1 and VRS Plan 2—Refer to Section 15.

**16. Disability Coverage** - Eligible political subdivision and school division members (including VRS Plan 1 and VRS Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

State employees (including VRS Plan 1 and VRS Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

**17. Purchase of Prior Service**

Defined Benefit Component - Same as VRS Plan 1 and VRS Plan 2—Refer to Section 17.

Defined Contribution Component - Not Applicable.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2013-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2014 (Continued)

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NOTE 11—PENSION PLAN: (CONTINUED)

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**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 2014 was 8.77% of annual covered payroll.

**C. Annual Pension Cost**

For fiscal year 2014, the Town's annual pension cost of \$54,436 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, 2014	\$ 54,436	100%	-
June 30, 2013	54,474	100%	-
June 30, 2012	54,066	100%	-

The FY 2014 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.

## TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2014 (Continued)

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### NOTE 11—PENSION PLAN: (CONTINUED)

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#### D. Funded Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the plan was 84.45% funded. The actuarial accrued liability for benefits was \$938,632, and the actuarial value of assets was \$792,686, resulting in an unfunded actuarial accrued liability (UAAL) of \$145,946. The covered payroll (annual payroll of active employees covered by the plan) was \$629,231, and ratio of the UAAL to the covered payroll was 23.19%.

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:

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At June 30, 2014 there were no matters of litigation involving the Town which would materially affect the Town's financial position should any court decisions on pending matters not be favorable to the Town.

### NOTE 13—CONSTRUCTION COMMITMENTS:

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The Town had construction commitments at year-end related to the Streetscape project. Of the \$231,002 contract, \$60,158 was outstanding at June 30, 2014.

### NOTE 14—RISK MANAGEMENT:

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

### NOTE 15—UNEARNED AND UNAVAILABLE REVENUE:

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

Land Lease - Unearned revenue representing amounts received in advance for the lease described in Note 10 totaled \$204,009 at June 30, 2014.



**TOWN OF GORDONSVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2014 (Continued)

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

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Unavailable Property Tax Revenue - Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$95,495 (including 2<sup>nd</sup> ½ tax billings of \$49,298 not due until December 5) at June 30, 2014.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2014 but paid in advance by the taxpayers totaled \$5,180 at June 30, 2014.

**NOTE 16—INTERGOVERNMENTAL AGREEMENT:**

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In September 2007, the Town entered into a raw water storage basin agreement with the Town of Orange, Virginia. The agreement stipulates that the interest cost to Orange for the financing of the construction of the raw water storage basin will be borne by Gordonsville and Orange in proportion to the monthly amount each takes of the finished water produced by Orange. The agreement shall continue until payments are made for forty (40) years or until the bonds are paid off, whichever occurs first. In fiscal year 2014, the refinancing of bonds resulted in lower payments. The Town of Gordonsville made payments totaling \$6,958 during fiscal year 2014 pursuant to the agreement.

**NOTE 17—RESTATEMENT OF BEGINNING BALANCES:**

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Beginning balances were restated as follows:

	<u>Governmental Activities Net Position</u>	<u>General Fund Balance</u>
Balance as reported at June 30, 2013	\$ 1,261,167	\$ 354,707
Restatement to correct calculation of unearned revenue	<u>(56,591)</u>	<u>(56,591)</u>
Balance as restated at July 1, 2013	<u>\$ 1,204,576</u>	<u>\$ 298,116</u>

**NOTE 18—SUBSEQUENT EVENTS:**

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On August 21, 2014, the Town entered into a construction contract with Linco, Inc. in the amount of \$1,813,137 for the streetscape project. This is being funded with a \$2,000,000 loan dated August 11, 2014. The first drawdown of \$100,000 occurred at closing and the remaining amount will be drawn down during the project. The loan is due in full on July 31, 2016 or the first interest payment date prior thereto.

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**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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
General property taxes	\$ 196,360	\$ 196,360	\$ 195,670	\$ (690)
Other local taxes	587,300	587,300	627,464	40,164
Permits, privilege fees, and regulatory licenses	600	600	1,503	903
Fines and forfeitures	120,000	120,000	200,900	80,900
Revenue from the use of money and property	358,400	358,400	352,414	(5,986)
Miscellaneous	4,950	8,035	8,702	667
Intergovernmental:				
Commonwealth	111,300	115,900	119,197	3,297
Federal	1,164,300	1,164,300	10,580	(1,153,720)
Total revenues	<u>\$ 2,543,210</u>	<u>\$ 2,550,895</u>	<u>\$ 1,516,430</u>	<u>\$ (1,034,465)</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 433,310	\$ 434,395	\$ 406,939	\$ 27,456
Public safety	460,950	465,550	447,905	17,645
Public works	270,400	284,500	345,880	(61,380)
Health and welfare	4,100	4,100	4,149	(49)
Parks, recreation, and cultural	29,050	30,950	32,924	(1,974)
Community development	1,300	1,300	1,300	-
Capital projects	1,880,300	1,910,300	89,630	1,820,670
Debt service:				
Principal retirement	63,300	60,300	56,377	3,923
Interest and other fiscal charges	31,600	31,600	21,941	9,659
Total expenditures	<u>\$ 3,174,310</u>	<u>\$ 3,222,995</u>	<u>\$ 1,407,045</u>	<u>\$ 1,815,950</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (631,100)</u>	<u>\$ (672,100)</u>	<u>\$ 109,385</u>	<u>\$ 781,485</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	\$ (12,400)	\$ (12,400)	\$ (18,577)	\$ (6,177)
Issuance of bonds	643,500	643,500	-	(643,500)
Issuance of capital lease	-	-	18,332	18,332
Total other financing sources (uses)	<u>\$ 631,100</u>	<u>\$ 631,100</u>	<u>\$ (245)</u>	<u>\$ (631,345)</u>
Net change in fund balances	\$ -	\$ (41,000)	\$ 109,140	\$ 150,140
Fund balances - beginning - as restated	-	41,000	298,117	257,117
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 407,257</u>	<u>\$ 407,257</u>

## Pool Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Charges for services	\$ 30,100	\$ 30,100	\$ 20,448	\$ (9,652)
Miscellaneous	6,000	6,000	2,700	(3,300)
Total revenues	<u>\$ 36,100</u>	<u>\$ 36,100</u>	<u>\$ 23,148</u>	<u>\$ (12,952)</u>
<b>EXPENDITURES</b>				
Current:				
Parks, recreation, and cultural	\$ 48,500	\$ 48,500	\$ 42,825	\$ 5,675
Total expenditures	<u>\$ 48,500</u>	<u>\$ 48,500</u>	<u>\$ 42,825</u>	<u>\$ 5,675</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (12,400)</u>	<u>\$ (12,400)</u>	<u>\$ (19,677)</u>	<u>\$ (7,277)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 12,400	\$ 12,400	\$ 18,577	\$ 6,177
Total other financing sources (uses)	<u>\$ 12,400</u>	<u>\$ 12,400</u>	<u>\$ 18,577</u>	<u>\$ 6,177</u>
Net change in fund balances	\$ -	\$ -	\$ (1,100)	\$ (1,100)
Fund balances - beginning	-	-	50,900	50,900
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,800</u>	<u>\$ 49,800</u>

Virginia Retirement System  
 Schedule of Pension Funding Progress

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<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Liability (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (e)</u>	<u>UAAL as % of Covered Payroll (c/e)</u>
	(a)	(b)	(c)	(d)	(e)	(f)
June 30, 2013	\$ 792,686	\$ 938,632	\$ 145,946	84.45%	\$ 629,231	23.19%
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%

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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, 2014

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
<b>Maplewood Cemetery Fund:</b>				
Assets				
Cash and cash equivalents	\$ 61,874	\$ 48,776	\$ 47,248	\$ 63,402
Investments, at fair value:				
U.S. government obligations	334,623	64,696	14,661	384,658
Corporate stocks	29,047	-	3,217	25,830
Total assets	<u>\$ 425,544</u>	<u>\$ 113,472</u>	<u>\$ 65,126</u>	<u>\$ 473,890</u>
Liabilities				
Amounts held for Maplewood Cemetery	<u>\$ 425,544</u>	<u>\$ 113,472</u>	<u>\$ 65,126</u>	<u>\$ 473,890</u>
<b>TOTALS - ALL AGENCY FUNDS:</b>				
Assets				
Cash and cash equivalents	\$ 61,874	\$ 48,776	\$ 47,248	\$ 63,402
Investments, at fair value:				
U.S. government obligations	334,623	64,696	14,661	384,658
Corporate stocks	29,047	-	3,217	25,830
Total assets	<u>\$ 425,544</u>	<u>\$ 113,472</u>	<u>\$ 65,126</u>	<u>\$ 473,890</u>
Liabilities				
Amounts held for Maplewood Cemetery	<u>\$ 425,544</u>	<u>\$ 113,472</u>	<u>\$ 65,126</u>	<u>\$ 473,890</u>
Total liabilities	<u>\$ 425,544</u>	<u>\$ 113,472</u>	<u>\$ 65,126</u>	<u>\$ 473,890</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, 2014

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 109,000	\$ 109,000	\$ 113,657	\$ 4,657
Real and personal public service corporation taxes	4,300	4,300	4,193	(107)
Personal property taxes	73,400	73,400	68,019	(5,381)
Mobile home taxes	30	30	31	1
Machinery and tools taxes	130	130	198	68
Penalties	5,000	5,000	4,814	(186)
Interest and other fees	4,500	4,500	4,758	258
Total general property taxes	<u>\$ 196,360</u>	<u>\$ 196,360</u>	<u>\$ 195,670</u>	<u>\$ (690)</u>
Other local taxes:				
Local sales and use taxes	\$ 143,000	\$ 143,000	\$ 153,697	\$ 10,697
Consumers' utility taxes	29,000	29,000	29,315	315
Cigarette taxes	25,000	25,000	28,500	3,500
Business license taxes	92,000	92,000	90,597	(1,403)
Motor vehicle licenses	28,300	28,300	26,012	(2,288)
Bank stock taxes	5,000	5,000	5,224	224
Restaurant food taxes	265,000	265,000	294,119	29,119
Total other local taxes	<u>\$ 587,300</u>	<u>\$ 587,300</u>	<u>\$ 627,464</u>	<u>\$ 40,164</u>
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	\$ 600	\$ 600	\$ 1,503	\$ 903
Total permits, privilege fees, and regulatory licenses	<u>\$ 600</u>	<u>\$ 600</u>	<u>\$ 1,503</u>	<u>\$ 903</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 120,000	\$ 120,000	\$ 200,840	\$ 80,840
Other fines	-	-	60	60
Total fines and forfeitures	<u>\$ 120,000</u>	<u>\$ 120,000</u>	<u>\$ 200,900</u>	<u>\$ 80,900</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 7,700	\$ 7,700	\$ 7,517	\$ (183)
Revenue from use of property	350,700	350,700	344,897	(5,803)
Total revenue from use of money and property	<u>\$ 358,400</u>	<u>\$ 358,400</u>	<u>\$ 352,414</u>	<u>\$ (5,986)</u>
Miscellaneous revenue:				
Miscellaneous	\$ 4,950	\$ 8,035	\$ 8,702	\$ 667
Total revenue from local sources	<u>\$ 1,267,610</u>	<u>\$ 1,270,695</u>	<u>\$ 1,386,653</u>	<u>\$ 115,958</u>

Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2014 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Intergovernmental Revenues:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock taxes	\$ 1,100	\$ 1,100	\$ 15	\$ (1,085)
Communication taxes	26,000	26,000	28,044	2,044
Personal property tax relief funds	33,700	33,700	33,719	19
Total noncategorical aid	<u>\$ 60,800</u>	<u>\$ 60,800</u>	<u>\$ 61,778</u>	<u>\$ 978</u>
Categorical aid:				
Other categorical aid:				
599 Funding	\$ 37,500	\$ 37,500	\$ 37,548	\$ 48
Litter control grant	4,000	4,000	3,891	(109)
Fire programs fund	8,000	8,000	10,000	2,000
Other categorical aid	1,000	5,600	5,980	380
Total other categorical aid	<u>\$ 50,500</u>	<u>\$ 55,100</u>	<u>\$ 57,419</u>	<u>\$ 2,319</u>
Total revenue from the Commonwealth	<u>\$ 111,300</u>	<u>\$ 115,900</u>	<u>\$ 119,197</u>	<u>\$ 3,297</u>
Revenue from the federal government:				
Categorical aid:				
State and community highway safety grant	\$ -	\$ -	\$ 420	\$ 420
TEA-21 Streetscape grant	1,164,300	1,164,300	10,160	(1,154,140)
Total categorical aid	<u>\$ 1,164,300</u>	<u>\$ 1,164,300</u>	<u>\$ 10,580</u>	<u>\$ (1,153,720)</u>
Total revenue from the federal government	<u>\$ 1,164,300</u>	<u>\$ 1,164,300</u>	<u>\$ 10,580</u>	<u>\$ (1,153,720)</u>
Total General Fund	<u><u>\$ 2,543,210</u></u>	<u><u>\$ 2,550,895</u></u>	<u><u>\$ 1,516,430</u></u>	<u><u>\$ (1,034,465)</u></u>
<b>Special Revenue Fund:</b>				
<b>Pool Fund:</b>				
Revenue from local sources:				
Charges for services:				
Charges for open swim	\$ 11,000	\$ 11,000	\$ 7,408	\$ (3,592)
Charges for swim lessons	5,500	5,500	3,768	(1,732)
Charges for concessions	5,000	5,000	3,570	(1,430)
Charges for private rentals	1,500	1,500	1,109	(391)
Charges for swim team	7,100	7,100	4,593	(2,507)
Total charges for services	<u>\$ 30,100</u>	<u>\$ 30,100</u>	<u>\$ 20,448</u>	<u>\$ (9,652)</u>
Miscellaneous revenue:				
Donations	\$ 6,000	\$ 6,000	\$ 2,700	\$ (3,300)
Total miscellaneous revenue	<u>\$ 6,000</u>	<u>\$ 6,000</u>	<u>\$ 2,700</u>	<u>\$ (3,300)</u>
Total revenue from local sources	<u>\$ 36,100</u>	<u>\$ 36,100</u>	<u>\$ 23,148</u>	<u>\$ (12,952)</u>
Total Pool Fund	<u><u>\$ 36,100</u></u>	<u><u>\$ 36,100</u></u>	<u><u>\$ 23,148</u></u>	<u><u>\$ (12,952)</u></u>
Total Primary Government	<u><u>\$ 2,579,310</u></u>	<u><u>\$ 2,586,995</u></u>	<u><u>\$ 1,539,578</u></u>	<u><u>\$ (1,047,417)</u></u>



Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2014

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund:</b>				
General government administration:				
Legislative:				
Town Council	\$ 22,200	\$ 22,200	\$ 20,170	\$ 2,030
General and financial administration:				
Administration	\$ 284,910	\$ 285,995	\$ 267,046	\$ 18,949
Town attorney	20,400	20,400	19,815	585
Treasurer	105,800	105,800	99,908	5,892
Total general and financial administration	<u>\$ 411,110</u>	<u>\$ 412,195</u>	<u>\$ 386,769</u>	<u>\$ 25,426</u>
Total general government administration	<u>\$ 433,310</u>	<u>\$ 434,395</u>	<u>\$ 406,939</u>	<u>\$ 27,456</u>
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 445,500	\$ 445,500	\$ 429,289	\$ 16,211
Asset forfeiture	1,000	5,600	4,792	808
Total law enforcement and traffic control	<u>\$ 446,500</u>	<u>\$ 451,100</u>	<u>\$ 434,081</u>	<u>\$ 17,019</u>
Fire and rescue services:				
Volunteer fire department	\$ 14,450	\$ 14,450	\$ 13,824	\$ 626
Total fire and rescue services	<u>\$ 14,450</u>	<u>\$ 14,450</u>	<u>\$ 13,824</u>	<u>\$ 626</u>
Total public safety	<u>\$ 460,950</u>	<u>\$ 465,550</u>	<u>\$ 447,905</u>	<u>\$ 17,645</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 217,500	\$ 231,600	\$ 286,900	\$ (55,300)
Sanitation and waste removal:				
Refuse collection	\$ 47,100	\$ 47,100	\$ 52,100	\$ (5,000)
Refuse disposal	1,800	1,800	2,649	(849)
Litter control	4,000	4,000	4,231	(231)
Total sanitation and waste removal	<u>\$ 52,900</u>	<u>\$ 52,900</u>	<u>\$ 58,980</u>	<u>\$ (6,080)</u>
Total public works	<u>\$ 270,400</u>	<u>\$ 284,500</u>	<u>\$ 345,880</u>	<u>\$ (61,380)</u>
Health and welfare:				
Welfare:				
Property tax relief for the elderly and handicapped	\$ 2,400	\$ 2,400	\$ 2,449	\$ (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>\$ 4,149</u>	<u>\$ (49)</u>
Total health and welfare	<u>\$ 4,100</u>	<u>\$ 4,100</u>	<u>\$ 4,149</u>	<u>\$ (49)</u>

Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2014 (Continued)

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Parks, recreation, and cultural:				
Parks and recreation:				
Gordonsville little league	\$ 1,600	\$ 1,600	\$ 1,879	\$ (279)
Total parks and recreation	<u>\$ 1,600</u>	<u>\$ 1,600</u>	<u>\$ 1,879</u>	<u>\$ (279)</u>
Cultural enrichment:				
Historic Gordonsville	\$ 2,250	\$ 2,250	\$ 2,250	\$ -
Visitor's Center	25,200	27,100	28,795	(1,695)
Total cultural enrichment	<u>\$ 27,450</u>	<u>\$ 29,350</u>	<u>\$ 31,045</u>	<u>\$ (1,695)</u>
Total parks, recreation, and cultural	<u>\$ 29,050</u>	<u>\$ 30,950</u>	<u>\$ 32,924</u>	<u>\$ (1,974)</u>
Community development:				
Planning and community development:				
Other community development	\$ 1,300	\$ 1,300	\$ 1,300	\$ -
Total community development	<u>\$ 1,300</u>	<u>\$ 1,300</u>	<u>\$ 1,300</u>	<u>\$ -</u>
Capital projects:				
Other capital projects	\$ 10,000	\$ 10,000	\$ 8,445	\$ 1,555
Public works facility	380,000	380,000	-	380,000
East Street	20,000	50,000	23,340	26,660
Streetscape - Town	291,000	291,000	4,333	286,667
Streetscape - VDOT	1,164,300	1,164,300	18,226	1,146,074
Police department vehicles	15,000	15,000	14,065	935
Equipment purchase	-	-	21,221	(21,221)
Total capital projects	<u>\$ 1,880,300</u>	<u>\$ 1,910,300</u>	<u>\$ 89,630</u>	<u>\$ 1,820,670</u>
Debt service:				
Principal retirement	\$ 63,300	\$ 60,300	\$ 56,377	\$ 3,923
Interest and other fiscal charges	31,600	31,600	21,941	9,659
Total debt service	<u>\$ 94,900</u>	<u>\$ 91,900</u>	<u>\$ 78,318</u>	<u>\$ 13,582</u>
Total General Fund	<u>\$ 3,174,310</u>	<u>\$ 3,222,995</u>	<u>\$ 1,407,045</u>	<u>\$ 1,815,950</u>
<b>Special Revenue Fund:</b>				
<b>Pool Fund:</b>				
Parks and Recreation:				
Swimming Pool	\$ 48,500	\$ 48,500	\$ 42,825	\$ 5,675
Total Pool Fund	<u>\$ 48,500</u>	<u>\$ 48,500</u>	<u>\$ 42,825</u>	<u>\$ 5,675</u>
Total Primary Government	<u>\$ 3,222,810</u>	<u>\$ 3,271,495</u>	<u>\$ 1,449,870</u>	<u>\$ 1,821,625</u>

## **Compliance**

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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Gordonsville, Virginia as of and for the year ended June 30, 2014, 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 3, 2014.

### 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, Co. Associates*  
Charlottesville, Virginia  
November 3, 2014