

**TOWN OF GORDONSVILLE, VIRGINIA**  
**FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2018**



TOWN OF GORDONSVILLE, VIRGINIA

Annual Financial Report  
For the Year Ended June 30, 2018

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For the Year Ended June 30, 2018

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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

Ronald E. Brooks, III

James L. Bradley

Elizabeth Samra

Officials

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Deborah S. Kendall, Town Manager

Angela Scolforo, Town Attorney

Dawn Rigsby, 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, 2018, 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, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Change in Accounting Principles*

As described in Note 18 to the financial statements, in 2018, the Town adopted new accounting guidance, GASB Statement Nos. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and 85 *Omnibus 2017*. Our opinion is not modified with respect to this matter.

## *Restatement of Beginning Balances*

As described in Note 18 to the financial statements, in 2018, the Town restated beginning balances to reflect the requirements of GASB Statement No. 75. In addition, the cemetery activity was reclassified from an agency fund to a private-purpose trust fund. Our opinion is not modified with respect to this matter.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedules related to pension and OPEB funding on pages 74-75 and 76-82 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the schedules related to the required supplementary information 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.



### *Supplementary 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 other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2019, 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 solely 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 the effectiveness of Town of Gordonsville, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Gordonsville, Virginia's internal control over financial reporting and compliance.

*Robinson, Fawcett, Cox Associates*

Charlottesville, Virginia

January 7, 2019

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## **Basic Financial Statements**



**Government-wide Financial Statements**



Statement of Net Position  
June 30, 2018

|                                                    | Primary Government         |                             |                     |
|----------------------------------------------------|----------------------------|-----------------------------|---------------------|
|                                                    | Governmental<br>Activities | Business-type<br>Activities | Total               |
| <b>ASSETS</b>                                      |                            |                             |                     |
| Cash and cash equivalents                          | \$ 1,043,989               | \$ 1,805,908                | \$ 2,849,897        |
| Receivables, net of allowance for uncollectibles:  |                            |                             |                     |
| Taxes receivable                                   | 89,756                     | -                           | 89,756              |
| Accounts receivable                                | 34,652                     | 155,926                     | 190,578             |
| Due from other governmental units                  | 38,346                     | 9,678                       | 48,024              |
| Prepaid items                                      | 5,944                      | 796                         | 6,740               |
| Restricted assets:                                 |                            |                             |                     |
| Cash held for customer deposits                    | 750                        | 36,592                      | 37,342              |
| Capital assets, net of accumulated depreciation:   |                            |                             |                     |
| Land                                               | 500,355                    | 206,526                     | 706,881             |
| Construction in progress                           | 97,178                     | 161,052                     | 258,230             |
| Land improvements                                  | 22,221                     | -                           | 22,221              |
| Buildings and improvements                         | 666,712                    | 414,187                     | 1,080,899           |
| Infrastructure                                     | 2,978,127                  | 1,426,833                   | 4,404,960           |
| Machinery, equipment and vehicles                  | 98,114                     | 88,456                      | 186,570             |
| Total assets                                       | <u>\$ 5,576,144</u>        | <u>\$ 4,305,954</u>         | <u>\$ 9,882,098</u> |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>              |                            |                             |                     |
| Pension related items                              | \$ 56,926                  | \$ 16,899                   | \$ 73,825           |
| OPEB related items                                 | 2,786                      | 694                         | 3,480               |
| Total deferred outflows of resources               | <u>\$ 59,712</u>           | <u>\$ 17,593</u>            | <u>\$ 77,305</u>    |
| <b>LIABILITIES</b>                                 |                            |                             |                     |
| Accounts payable                                   | \$ 38,689                  | \$ 40,206                   | \$ 78,895           |
| Contracts payable                                  | 10,862                     | -                           | 10,862              |
| Accrued liabilities                                | 63,782                     | 5,953                       | 69,735              |
| Customers' deposits payable from restricted assets | 750                        | 36,592                      | 37,342              |
| Accrued interest payable                           | 20,275                     | 5,981                       | 26,256              |
| Unearned revenue                                   | 229,614                    | -                           | 229,614             |
| Long-term liabilities:                             |                            |                             |                     |
| Due within one year                                | 149,276                    | 56,226                      | 205,502             |
| Due in more than one year                          | 1,663,940                  | 472,875                     | 2,136,815           |
| Total liabilities                                  | <u>\$ 2,177,188</u>        | <u>\$ 617,833</u>           | <u>\$ 2,795,021</u> |
| <b>DEFERRED INFLOWS OF RESOURCES</b>               |                            |                             |                     |
| Deferred revenue - property taxes                  | \$ 75,409                  | \$ -                        | \$ 75,409           |
| Pension related items                              | 39,090                     | 10,680                      | 49,770              |
| OPEB related items                                 | 7,810                      | 3,190                       | 11,000              |
| Total deferred inflows of resources                | <u>\$ 122,309</u>          | <u>\$ 13,870</u>            | <u>\$ 136,179</u>   |
| <b>NET POSITION</b>                                |                            |                             |                     |
| Net investment in capital assets                   | \$ 3,051,793               | \$ 1,801,718                | \$ 4,853,511        |
| Restricted:                                        |                            |                             |                     |
| Pool improvements and activities                   | 49,284                     | -                           | 49,284              |
| Unrestricted                                       | 235,282                    | 1,890,126                   | 2,125,408           |
| Total net position                                 | <u>\$ 3,336,359</u>        | <u>\$ 3,691,844</u>         | <u>\$ 7,028,203</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, 2018

| 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 | \$ 464,964          | \$ 597               | \$ -                               | \$ -                             |
| Public safety                     | 568,425             | 141,534              | 51,277                             | -                                |
| Public works                      | 447,042             | -                    | 3,690                              | -                                |
| Health and welfare                | 5,098               | -                    | -                                  | -                                |
| Parks, recreation, and cultural   | 104,260             | 13,814               | 42,912                             | 132,722                          |
| Community development             | 1,300               | -                    | -                                  | -                                |
| Interest on long-term debt        | 68,628              | -                    | -                                  | -                                |
| Total governmental activities     | <u>\$ 1,659,717</u> | <u>\$ 155,945</u>    | <u>\$ 97,879</u>                   | <u>\$ 132,722</u>                |
| Business-type activities:         |                     |                      |                                    |                                  |
| Water and Sewer Fund              | \$ 1,207,510        | \$ 1,308,981         | \$ -                               | \$ 85,800                        |
| Airport Fund                      | 17,620              | 39,247               | 19,573                             | -                                |
| Total business-type activities    | <u>\$ 1,225,130</u> | <u>\$ 1,348,228</u>  | <u>\$ 19,573</u>                   | <u>\$ 85,800</u>                 |
| Total primary government          | <u>\$ 2,884,847</u> | <u>\$ 1,504,173</u>  | <u>\$ 117,452</u>                  | <u>\$ 218,522</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<br>Changes in Net Position |                             |                       |
|------------------------------------------------------|-----------------------------|-----------------------|
| Primary Government                                   |                             |                       |
| Governmental<br>Activities                           | Business-type<br>Activities | Total                 |
| \$ (464,367)                                         |                             | \$ (464,367)          |
| (375,614)                                            |                             | (375,614)             |
| (443,352)                                            |                             | (443,352)             |
| (5,098)                                              |                             | (5,098)               |
| 85,188                                               |                             | 85,188                |
| (1,300)                                              |                             | (1,300)               |
| (68,628)                                             |                             | (68,628)              |
| <u>\$ (1,273,171)</u>                                |                             | <u>\$ (1,273,171)</u> |
|                                                      | \$ 187,271                  | \$ 187,271            |
|                                                      | 41,200                      | 41,200                |
|                                                      | <u>\$ 228,471</u>           | <u>\$ 228,471</u>     |
| <u>\$ (1,273,171)</u>                                | <u>\$ 228,471</u>           | <u>\$ (1,044,700)</u> |
| \$ 209,512                                           | \$ -                        | \$ 209,512            |
| 87,106                                               | -                           | 87,106                |
| 31,320                                               | -                           | 31,320                |
| 100,848                                              | -                           | 100,848               |
| 330,731                                              | -                           | 330,731               |
| 81,548                                               | -                           | 81,548                |
| 444,141                                              | 71,702                      | 515,843               |
| 11,959                                               | -                           | 11,959                |
| 61,575                                               | -                           | 61,575                |
| <u>\$ 1,358,740</u>                                  | <u>\$ 71,702</u>            | <u>\$ 1,430,442</u>   |
| \$ 85,569                                            | \$ 300,173                  | \$ 385,742            |
| 3,250,790                                            | 3,391,671                   | 6,642,461             |
| <u>\$ 3,336,359</u>                                  | <u>\$ 3,691,844</u>         | <u>\$ 7,028,203</u>   |

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## **Fund Financial Statements**

Balance Sheet  
 Governmental Funds  
 June 30, 2018

|                                                                        | <u>General<br/>Fund</u> | <u>Pool<br/>Fund</u> | <u>Total</u>        |
|------------------------------------------------------------------------|-------------------------|----------------------|---------------------|
| <b>ASSETS</b>                                                          |                         |                      |                     |
| Cash and cash equivalents                                              | \$ 1,027,588            | \$ 16,401            | \$ 1,043,989        |
| Receivables, net of allowance for uncollectibles                       |                         |                      |                     |
| Taxes receivable                                                       | 89,756                  | -                    | 89,756              |
| Accounts receivable                                                    | 34,342                  | 310                  | 34,652              |
| Due from other governmental units                                      | 38,346                  | -                    | 38,346              |
| Prepaid items                                                          | 5,944                   | -                    | 5,944               |
| Restricted assets:                                                     |                         |                      |                     |
| Cash held for customer deposits                                        | 750                     | -                    | 750                 |
| Total assets                                                           | <u>\$ 1,196,726</u>     | <u>\$ 16,711</u>     | <u>\$ 1,213,437</u> |
| <b>LIABILITIES</b>                                                     |                         |                      |                     |
| Accounts payable                                                       | \$ 35,040               | \$ 3,649             | \$ 38,689           |
| Contracts payable                                                      | 10,862                  | -                    | 10,862              |
| Accrued liabilities                                                    | 58,226                  | 5,556                | 63,782              |
| Customers' deposits                                                    | 750                     | -                    | 750                 |
| Unearned revenue                                                       | 229,614                 | -                    | 229,614             |
| Total liabilities                                                      | <u>\$ 334,492</u>       | <u>\$ 9,205</u>      | <u>\$ 343,697</u>   |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                   |                         |                      |                     |
| Unavailable revenue - property taxes                                   | \$ 94,524               | \$ -                 | \$ 94,524           |
| <b>FUND BALANCES</b>                                                   |                         |                      |                     |
| Nonspendable:                                                          |                         |                      |                     |
| Prepays                                                                | \$ 5,944                | \$ -                 | \$ 5,944            |
| Restricted:                                                            |                         |                      |                     |
| Pool capital donations                                                 | -                       | 49,284               | 49,284              |
| Committed:                                                             |                         |                      |                     |
| East Street project                                                    | 17,459                  | -                    | 17,459              |
| Public works facility                                                  | 81,902                  | -                    | 81,902              |
| Unassigned                                                             | 662,405                 | (41,778)             | 620,627             |
| Total fund balances                                                    | <u>\$ 767,710</u>       | <u>\$ 7,506</u>      | <u>\$ 775,216</u>   |
| Total liabilities, deferred inflows of resources,<br>and fund balances | <u>\$ 1,196,726</u>     | <u>\$ 16,711</u>     | <u>\$ 1,213,437</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, 2018

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

|                                                                                                                                                                                           |    |                 |                     |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|-----------------|---------------------|
| Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds                                                                                                                    | \$ | 775,216         |                     |
| 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                                                                                                                                                                                      | \$ | 500,355         |                     |
| Construction in Progress                                                                                                                                                                  |    | 97,178          |                     |
| Land improvements                                                                                                                                                                         |    | 22,221          |                     |
| Buildings and improvements                                                                                                                                                                |    | 666,712         |                     |
| Infrastructure                                                                                                                                                                            |    | 2,978,127       |                     |
| Machinery, equipment and vehicles                                                                                                                                                         |    | <u>98,114</u>   | 4,362,707           |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported as unavailable revenue in the funds.                                     |    |                 |                     |
| Unavailable revenue related to property taxes                                                                                                                                             |    |                 | 19,115              |
| Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.                                                    |    |                 |                     |
| Pension related items                                                                                                                                                                     | \$ | 56,926          |                     |
| OPEB related items                                                                                                                                                                        |    | <u>2,786</u>    | 59,712              |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.                                              |    |                 |                     |
| Bonds                                                                                                                                                                                     | \$ | (1,595,364)     |                     |
| Settlement agreement                                                                                                                                                                      |    | (76,000)        |                     |
| Capital leases                                                                                                                                                                            |    | (16,021)        |                     |
| Compensated absences                                                                                                                                                                      |    | (42,527)        |                     |
| Net pension liability                                                                                                                                                                     |    | (45,256)        |                     |
| Net OPEB liability                                                                                                                                                                        |    | (38,048)        |                     |
| Accrued interest payable                                                                                                                                                                  |    | <u>(20,275)</u> | (1,833,491)         |
| Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.                                                                |    |                 |                     |
| Pension related items                                                                                                                                                                     | \$ | (39,090)        |                     |
| OPEB related items                                                                                                                                                                        |    | <u>(7,810)</u>  | (46,900)            |
| Net position of governmental activities                                                                                                                                                   |    |                 | <u>\$ 3,336,359</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, 2018

|                                                              | General<br>Fund       | Pool<br>Fund       | Total                 |
|--------------------------------------------------------------|-----------------------|--------------------|-----------------------|
| <b>REVENUES</b>                                              |                       |                    |                       |
| General property taxes                                       | \$ 212,013            | \$ -               | \$ 212,013            |
| Other local taxes                                            | 631,553               | -                  | 631,553               |
| Permits, privilege fees, and regulatory licenses             | 597                   | -                  | 597                   |
| Fines and forfeitures                                        | 141,534               | -                  | 141,534               |
| Revenue from the use of money and property                   | 444,141               | -                  | 444,141               |
| Charges for services                                         | -                     | 13,814             | 13,814                |
| Miscellaneous                                                | 54,887                | 2,502              | 57,389                |
| Intergovernmental:                                           |                       |                    |                       |
| Commonwealth                                                 | 114,025               | -                  | 114,025               |
| Federal                                                      | 132,722               | -                  | 132,722               |
| Total revenues                                               | <u>\$ 1,731,472</u>   | <u>\$ 16,316</u>   | <u>\$ 1,747,788</u>   |
| <b>EXPENDITURES</b>                                          |                       |                    |                       |
| Current:                                                     |                       |                    |                       |
| General government administration                            | \$ 390,879            | \$ -               | \$ 390,879            |
| Public safety                                                | 562,474               | -                  | 562,474               |
| Public works                                                 | 429,358               | -                  | 429,358               |
| Health and welfare                                           | 5,098                 | -                  | 5,098                 |
| Parks, recreation, and cultural                              | 52,420                | 50,149             | 102,569               |
| Community development                                        | 1,300                 | -                  | 1,300                 |
| Capital projects                                             | 231,437               | -                  | 231,437               |
| Debt service:                                                |                       |                    |                       |
| Principal retirement                                         | 1,377,315             | -                  | 1,377,315             |
| Interest and other fiscal charges                            | 36,279                | -                  | 36,279                |
| Issuance costs                                               | 23,274                | -                  | 23,274                |
| Total expenditures                                           | <u>\$ 3,109,834</u>   | <u>\$ 50,149</u>   | <u>\$ 3,159,983</u>   |
| Excess (deficiency) of revenues over<br>(under) expenditures | <u>\$ (1,378,362)</u> | <u>\$ (33,833)</u> | <u>\$ (1,412,195)</u> |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                       |                    |                       |
| Issuance of bonds                                            | \$ 1,376,250          | \$ -               | \$ 1,376,250          |
| Total other financing sources (uses)                         | <u>\$ 1,376,250</u>   | <u>\$ -</u>        | <u>\$ 1,376,250</u>   |
| Net change in fund balances                                  | \$ (2,112)            | \$ (33,833)        | \$ (35,945)           |
| Fund balances - beginning                                    | 769,822               | 41,339             | 811,161               |
| Fund balances - ending                                       | <u>\$ 767,710</u>     | <u>\$ 7,506</u>    | <u>\$ 775,216</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, 2018

---

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

|                                                        |    |          |
|--------------------------------------------------------|----|----------|
| Net change in fund balances - total governmental funds | \$ | (35,945) |
|--------------------------------------------------------|----|----------|

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 | \$ | 241,349          |         |
| Depreciation            |    | <u>(115,743)</u> | 125,606 |

|                                                                                                                                                                                                                                |         |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. The change in unavailable property taxes is reported as revenues in the governmental funds. | (2,501) |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

|                                     |    |              |       |
|-------------------------------------|----|--------------|-------|
| Issuance of debt                    | \$ | (1,376,250)  |       |
| Settlement agreement annual payment |    | 9,500        |       |
| Payment of principal                |    | 1,367,816    |       |
| Amortization of premium on issuance |    | <u>6,138</u> | 7,204 |

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     | \$ | (5,516)         |         |
| Pension expense          |    | 9,154           |         |
| OPEB expense             |    | 2,781           |         |
| Accrued interest payable |    | <u>(15,214)</u> | (8,795) |

|                                                   |    |                      |
|---------------------------------------------------|----|----------------------|
| Change in net position of governmental activities | \$ | <u><u>85,569</u></u> |
|---------------------------------------------------|----|----------------------|

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

Statement of Net Position  
 Proprietary Funds  
 June 30, 2018

|                                                                    | Enterprise Funds        |                   |                     |
|--------------------------------------------------------------------|-------------------------|-------------------|---------------------|
|                                                                    | Water and<br>Sewer Fund | Airport<br>Fund   | Total               |
| <b>ASSETS</b>                                                      |                         |                   |                     |
| Current assets:                                                    |                         |                   |                     |
| Cash and cash equivalents                                          | \$ 1,757,010            | \$ 48,898         | \$ 1,805,908        |
| Accounts receivable, net of allowance for uncollectibles           | 155,926                 | -                 | 155,926             |
| Due from other governmental units                                  | -                       | 9,678             | 9,678               |
| Prepaid expenses                                                   | 796                     | -                 | 796                 |
| Total current assets                                               | <u>\$ 1,913,732</u>     | <u>\$ 58,576</u>  | <u>\$ 1,972,308</u> |
| Noncurrent assets:                                                 |                         |                   |                     |
| Restricted assets:                                                 |                         |                   |                     |
| Cash held for customer deposits                                    | \$ 36,592               | \$ -              | \$ 36,592           |
| Total restricted assets                                            | <u>\$ 36,592</u>        | <u>\$ -</u>       | <u>\$ 36,592</u>    |
| Capital assets:                                                    |                         |                   |                     |
| Land                                                               | \$ 204,978              | \$ 1,548          | \$ 206,526          |
| Construction in progress                                           | 141,739                 | 19,313            | 161,052             |
| Buildings and improvements, net of accumulated depreciation        | 414,187                 | -                 | 414,187             |
| Infrastructure, net of accumulated depreciation                    | 1,308,386               | 118,447           | 1,426,833           |
| Machinery, equipment, and vehicles net of accumulated depreciation | 88,456                  | -                 | 88,456              |
| Total capital assets                                               | <u>\$ 2,157,746</u>     | <u>\$ 139,308</u> | <u>\$ 2,297,054</u> |
| Total noncurrent assets                                            | <u>\$ 2,194,338</u>     | <u>\$ 139,308</u> | <u>\$ 2,333,646</u> |
| Total assets                                                       | <u>\$ 4,108,070</u>     | <u>\$ 197,884</u> | <u>\$ 4,305,954</u> |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                              |                         |                   |                     |
| Pension related items                                              | \$ 16,899               | \$ -              | \$ 16,899           |
| OPEB related items                                                 | 694                     | -                 | 694                 |
| Total deferred outflows of resources                               | <u>\$ 17,593</u>        | <u>\$ -</u>       | <u>\$ 17,593</u>    |
| <b>LIABILITIES</b>                                                 |                         |                   |                     |
| Current liabilities:                                               |                         |                   |                     |
| Accounts payable                                                   | \$ 28,505               | \$ 11,701         | \$ 40,206           |
| Accrued liabilities                                                | 5,953                   | -                 | 5,953               |
| Customers' deposits payable from restricted assets                 | 36,592                  | -                 | 36,592              |
| Accrued interest payable                                           | 5,981                   | -                 | 5,981               |
| Compensated absences - current portion                             | 536                     | -                 | 536                 |
| Bonds and notes payable - current portion                          | 55,690                  | -                 | 55,690              |
| Total current liabilities                                          | <u>\$ 133,257</u>       | <u>\$ 11,701</u>  | <u>\$ 144,958</u>   |
| Noncurrent liabilities:                                            |                         |                   |                     |
| Compensated absences - net of current portion                      | \$ 4,826                | \$ -              | \$ 4,826            |
| Bonds and notes payable - net of current portion                   | 439,646                 | -                 | 439,646             |
| Net pension liability                                              | 12,862                  | -                 | 12,862              |
| Net OPEB liability                                                 | 15,541                  | -                 | 15,541              |
| Total noncurrent liabilities                                       | <u>\$ 472,875</u>       | <u>\$ -</u>       | <u>\$ 472,875</u>   |
| Total liabilities                                                  | <u>\$ 606,132</u>       | <u>\$ 11,701</u>  | <u>\$ 617,833</u>   |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                               |                         |                   |                     |
| Pension related items                                              | \$ 10,680               | \$ -              | \$ 10,680           |
| OPEB related items                                                 | 3,190                   | -                 | 3,190               |
| Total deferred inflows of resources                                | <u>\$ 13,870</u>        | <u>\$ -</u>       | <u>\$ 13,870</u>    |
| <b>NET POSITION</b>                                                |                         |                   |                     |
| Net investment in capital assets                                   | \$ 1,662,410            | \$ 139,308        | \$ 1,801,718        |
| Unrestricted                                                       | 1,843,251               | 46,875            | 1,890,126           |
| Total net position                                                 | <u>\$ 3,505,661</u>     | <u>\$ 186,183</u> | <u>\$ 3,691,844</u> |

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



Statement of Revenues, Expenses and Changes in Net Position  
 Proprietary Funds  
 For the Year Ended June 30, 2018

|                                             | Enterprise Funds           |                          |                            |
|---------------------------------------------|----------------------------|--------------------------|----------------------------|
|                                             | Water and<br>Sewer Fund    | Airport<br>Fund          | Total                      |
| <b>OPERATING REVENUES</b>                   |                            |                          |                            |
| Charges for services:                       |                            |                          |                            |
| Water revenues                              | \$ 885,104                 | \$ -                     | \$ 885,104                 |
| Sewer revenues                              | 413,572                    | -                        | 413,572                    |
| Delinquent fees                             | 6,500                      | -                        | 6,500                      |
| Cut on fees                                 | 3,325                      | -                        | 3,325                      |
| Hangar rentals                              | -                          | 39,247                   | 39,247                     |
| Miscellaneous                               | 480                        | -                        | 480                        |
| Total operating revenues                    | <u>\$ 1,308,981</u>        | <u>\$ 39,247</u>         | <u>\$ 1,348,228</u>        |
| <b>OPERATING EXPENSES</b>                   |                            |                          |                            |
| Water and water tests                       | \$ 406,547                 | \$ -                     | \$ 406,547                 |
| Sewer                                       | 272,466                    | -                        | 272,466                    |
| Salaries, wages, and benefits               | 208,030                    | -                        | 208,030                    |
| Repairs and maintenance                     | 70,245                     | 4,248                    | 74,493                     |
| Materials and supplies                      | 17,255                     | 1,290                    | 18,545                     |
| Professional services                       | 23,538                     | 3,300                    | 26,838                     |
| Telephone and utilities                     | 9,722                      | 1,423                    | 11,145                     |
| Vehicle expenses                            | 21,225                     | 400                      | 21,625                     |
| Other operating expenses                    | 32,099                     | 2,709                    | 34,808                     |
| Depreciation                                | 128,970                    | 4,250                    | 133,220                    |
| Total operating expenses                    | <u>\$ 1,190,097</u>        | <u>\$ 17,620</u>         | <u>\$ 1,207,717</u>        |
| Operating income (loss)                     | <u>\$ 118,884</u>          | <u>\$ 21,627</u>         | <u>\$ 140,511</u>          |
| <b>NONOPERATING REVENUES (EXPENSES)</b>     |                            |                          |                            |
| Intergovernmental revenue                   | \$ -                       | \$ 19,573                | \$ 19,573                  |
| Use of property                             | 71,702                     | -                        | 71,702                     |
| Interest expense                            | (17,413)                   | -                        | (17,413)                   |
| Total nonoperating revenues (expenses)      | <u>\$ 54,289</u>           | <u>\$ 19,573</u>         | <u>\$ 73,862</u>           |
| Income before capital contributions         | <u>\$ 173,173</u>          | <u>\$ 41,200</u>         | <u>\$ 214,373</u>          |
| Capital contributions                       | 85,800                     | -                        | 85,800                     |
| Change in net position                      | <u>\$ 258,973</u>          | <u>\$ 41,200</u>         | <u>\$ 300,173</u>          |
| Total net position - beginning, as restated | 3,246,688                  | 144,983                  | 3,391,671                  |
| Total net position - ending                 | <u><u>\$ 3,505,661</u></u> | <u><u>\$ 186,183</u></u> | <u><u>\$ 3,691,844</u></u> |

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

Statement of Cash Flows  
 Proprietary Funds  
 For the Year Ended June 30, 2018

|                                                                                                                  | Enterprise Funds        |                 |              |
|------------------------------------------------------------------------------------------------------------------|-------------------------|-----------------|--------------|
|                                                                                                                  | Water and<br>Sewer Fund | Airport<br>Fund | Total        |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                                                      |                         |                 |              |
| Receipts from customers and users                                                                                | \$ 1,242,820            | \$ 39,247       | \$ 1,282,067 |
| Payments to suppliers                                                                                            | (866,474)               | (1,723)         | (868,197)    |
| Payments to employees                                                                                            | (213,086)               | -               | (213,086)    |
| Net cash provided by (used for) operating activities                                                             | \$ 163,260              | \$ 37,524       | \$ 200,784   |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>                                                           |                         |                 |              |
| Use of property                                                                                                  | \$ 71,702               | \$ -            | \$ 71,702    |
| Intergovernmental revenue                                                                                        | -                       | 9,895           | 9,895        |
| Net cash provided by (used for) noncapital financing activities                                                  | \$ 71,702               | \$ 9,895        | \$ 81,597    |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                                                  |                         |                 |              |
| Additions to CIP and machinery and equipment                                                                     | \$ (172,752)            | \$ (19,313)     | \$ (192,065) |
| Principal payments on bonds                                                                                      | (301,868)               | -               | (301,868)    |
| Principal payments on capital lease                                                                              | (4,491)                 | -               | (4,491)      |
| Contributions in aid of construction                                                                             | 85,800                  | -               | 85,800       |
| Proceeds from indebtedness                                                                                       | 270,350                 | -               | 270,350      |
| Interest payments                                                                                                | (19,905)                | -               | (19,905)     |
| Net cash provided by (used for) capital and related financing activities                                         | \$ (142,866)            | \$ (19,313)     | \$ (162,179) |
| Net increase (decrease) in cash and cash equivalents                                                             | \$ 92,096               | \$ 28,106       | \$ 120,202   |
| Cash and cash equivalents - beginning (including restricted)                                                     | 1,701,506               | 20,792          | 1,722,298    |
| Cash and cash equivalents - ending (including restricted)                                                        | \$ 1,793,602            | \$ 48,898       | \$ 1,842,500 |
| <b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>        |                         |                 |              |
| Operating income (loss)                                                                                          | \$ 118,884              | \$ 21,627       | \$ 140,511   |
| <b>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:</b> |                         |                 |              |
| Depreciation expense                                                                                             | \$ 128,970              | \$ 4,250        | \$ 133,220   |
| (Increase) decrease in:                                                                                          |                         |                 |              |
| Accounts receivable                                                                                              | (63,347)                | -               | (63,347)     |
| Prepaid expenses                                                                                                 | (616)                   | -               | (616)        |
| Pension related deferred outflows                                                                                | 8,146                   | -               | 8,146        |
| OPEB related deferred outflows                                                                                   | 290                     | -               | 290          |
| Increase (decrease) in:                                                                                          |                         |                 |              |
| Customer deposits                                                                                                | (2,814)                 | -               | (2,814)      |
| Accounts payable                                                                                                 | (12,761)                | 11,647          | (1,114)      |
| Accrued liabilities                                                                                              | (2,851)                 | -               | (2,851)      |
| Compensated absences                                                                                             | 357                     | -               | 357          |
| Net pension liability                                                                                            | (20,689)                | -               | (20,689)     |
| Net OPEB liability                                                                                               | (4,179)                 | -               | (4,179)      |
| Pension related deferred inflows                                                                                 | 10,680                  | -               | 10,680       |
| OPEB related deferred inflows                                                                                    | 3,190                   | -               | 3,190        |
| Total adjustments                                                                                                | \$ 44,376               | \$ 15,897       | \$ 60,273    |
| Net cash provided by (used for) operating activities                                                             | \$ 163,260              | \$ 37,524       | \$ 200,784   |

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

Statement of Fiduciary Net Position  
 Fiduciary Fund  
 June 30, 2018

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|                                      | <u>Private-Purpose<br/>Trust Fund<br/>Maplewood<br/>Cemetery</u> |
|--------------------------------------|------------------------------------------------------------------|
| <b>ASSETS</b>                        |                                                                  |
| Cash and cash equivalents            | \$ 416,740                                                       |
| Investments, at fair value:          |                                                                  |
| Corporate stock                      | 37,944                                                           |
| Total assets                         | <u>\$ 454,684</u>                                                |
| <b>NET POSITION</b>                  |                                                                  |
| Held in trust for Maplewood Cemetery | <u>\$ 454,684</u>                                                |

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

Statement of Change in Fiduciary Net Position  
 Fiduciary Fund  
 For the Year Ended June 30, 2018

|                                       | <u>Private-Purpose<br/>Trust Fund<br/>Maplewood<br/>Cemetery</u> |
|---------------------------------------|------------------------------------------------------------------|
| <b>ADDITIONS</b>                      |                                                                  |
| Contributions:                        |                                                                  |
| Sale of cemetery lots                 | \$ 11,400                                                        |
| Burial permits                        | 2,200                                                            |
| Fees                                  | 150                                                              |
| Donations                             | 3,480                                                            |
| Other                                 | 143                                                              |
| Total contributions                   | <u>\$ 17,373</u>                                                 |
| Investment earnings:                  |                                                                  |
| Interest                              | \$ 1,415                                                         |
| Gain (loss) on investments            | 1,622                                                            |
| Total investment earnings             | <u>\$ 3,037</u>                                                  |
| Total additions                       | <u>\$ 20,410</u>                                                 |
| <b>DEDUCTIONS</b>                     |                                                                  |
| Professional and contractual services | \$ 26,202                                                        |
| Other                                 | 311                                                              |
| Confederate                           | 1,292                                                            |
| Total deductions                      | <u>\$ 27,805</u>                                                 |
| Change in net position                | \$ (7,395)                                                       |
| Net position - beginning, as restated | 462,079                                                          |
| Net position - ending                 | <u><u>\$ 454,684</u></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, 2018

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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. The financial activities of the Maplewood Cemetery are excluded from the Town's government-wide statements for the following reasons:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

---

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

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

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

The following is a brief description of the specific funds used by the Town in FY 2018.

1. *Governmental Funds:*

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

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

2. *Proprietary Funds:*

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

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

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

Fiduciary Funds (Trust and Agency Funds) account for assets held by the Town in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Private-Purpose Trust 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 Private-Purpose Trust Fund (Maplewood Cemetery) uses the accrual basis of accounting for reporting its assets and liabilities.

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

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

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.

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

**D. Budgets and Budgetary Accounting**

The Town Council annually adopts budgets for the various funds.

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

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



TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

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

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**D. Budgets and Budgetary Accounting: (Continued)**

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, 2018.

**E. Expenditures and Appropriations**

Expenditures exceeded appropriations in the general fund at June 30, 2018, including the following functions: public safety, health and welfare and debt service exceeded appropriations by \$21,154; \$998, and \$1,346,708, respectively.

**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, 2018 consisted of amounts invested in the Local Government Investment Pool and the balance of a construction escrow account and bond proceeds, which are reported at amortized cost. The fiduciary fund has investments in corporate stock, which is reported at fair value.

**H. Inventory and Prepaid Items**

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

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

**I. Allowance for Uncollectible Accounts**

The Town calculates its allowances for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance for uncollectible taxes and water and sewer receivables are \$17,431 and \$34,303, respectively at June 30, 2018.

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

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**J. Capital Assets**

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

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

**K. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town only has one item that qualifies for reporting in this category. It is comprised of certain items related to the measurement of the net pension liability and net OPEB liability and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension liability and net OPEB liability measurement date. For more detailed information on these items, reference the related notes.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has two types of items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension liability and net OPEB liability are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

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

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**L. Pensions**

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

**M. Other Postemployment Benefits (OPEB)**

*Group Life Insurance*

The Virginia Retirement System (VRS) Group Life Insurance (GLI) Program provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLI Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net GLI Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI Program OPEB and the additions to/deductions from the VRS GLI OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**N. 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.

**O. Long-Term Obligations**

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

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

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

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**P. Use of Estimates**

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

**Q. 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.

**R. 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.

**S. 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;

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

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**S. Fund Equity: (Continued)**

- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund.

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

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

Policy requires that the general and enterprise fund balance should equal not less than 10% of the budgeted expenditures for that fund plus an amount equal to the Town's prior debt expense for that fund. If unassigned fund balance is less than this amount, the deficit must be funded within 3 years, 1/3 each year. The general fund was not in compliance with this policy for fiscal year 2018.

**T. Upcoming Pronouncements**

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

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

## TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

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

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#### T. Upcoming Pronouncements: (Continued)

Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, clarifies which liabilities governments should include when disclosing information related to debt. It defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, it requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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

### NOTE 2—DEPOSITS AND INVESTMENTS:

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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.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

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

Investments

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

Custodial Credit Risk (Investments)

The Town’s investments at June 30, 2018 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, 2018 were rated by Standard & Poor’s and/or an equivalent national rating organization and the ratings are presented below using the Standard & Poor’s rating scale.

| <u>Rated Debt Investments</u>    | <u>Ratings</u>      |
|----------------------------------|---------------------|
|                                  | <u>AAAm</u>         |
| Local Government Investment Pool | \$ 1,839,682        |
| Money market mutual funds        | 311,331             |
| Total                            | <u>\$ 2,151,013</u> |

Interest Rate Risk

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

| <u>Investment Maturities (in years)</u> |                     |                             |
|-----------------------------------------|---------------------|-----------------------------|
| <u>Investment Type</u>                  | <u>Value</u>        | <u>Less Than<br/>1 Year</u> |
| Local Government Investment Pool        | \$ 1,839,682        | \$ 1,839,682                |
| Money market mutual funds               | 311,331             | 311,331                     |
| Total                                   | <u>\$ 2,151,013</u> | <u>\$ 2,151,013</u>         |

External Investment Pool

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



TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

**NOTE 3—FAIR VALUE MEASUREMENTS:**

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

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

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

The Town has the following recurring fair value measurements as of June 30, 2018:

| Investment type           | 6/30/2018         | Fair Value Measurements Using                                 |                                               |                                           |
|---------------------------|-------------------|---------------------------------------------------------------|-----------------------------------------------|-------------------------------------------|
|                           |                   | Quoted Prices in Active Markets or Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Corporate Stock           | \$ 37,944         | \$ 37,944                                                     | \$ -                                          | \$ -                                      |
| Money Market Mutual Funds | 311,331           | 311,331                                                       | -                                             | -                                         |
| <b>Total</b>              | <b>\$ 349,275</b> | <b>\$ 349,275</b>                                             | <b>\$ -</b>                                   | <b>\$ -</b>                               |

**NOTE 4—PROPERTY TAXES:**

Real and personal property taxes are levied on January 1 at a rate enacted by the Town Council on the assessed value of property as determined by the Commissioner of Revenue of Orange County. Neither the Town Charter nor the State of Virginia imposes a limitation on the tax rate. The Town's tax rates for fiscal year 2018 were \$.10 (2<sup>nd</sup> half RE)/\$.13 (1<sup>st</sup> half RE) 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, 2018 (Continued)

**NOTE 5—ACCOUNTS RECEIVABLE:**

Accounts receivable are detailed as follows:

|                              | <u>Governmental<br/>Activities</u> | <u>Business-type<br/>Activities</u> |
|------------------------------|------------------------------------|-------------------------------------|
| Property taxes               | \$ 107,187                         | \$ -                                |
| Meals taxes                  | 31,207                             | -                                   |
| Consumer utility taxes       | 2,150                              | -                                   |
| Consumption taxes            | 367                                | -                                   |
| Other                        | 928                                | 190,229                             |
|                              | <u>                    </u>        | <u>                    </u>         |
| Total                        | \$ 141,839                         | \$ 190,229                          |
| Allowance for uncollectibles | <u>(17,431)</u>                    | <u>(34,303)</u>                     |
|                              | <u>                    </u>        | <u>                    </u>         |
| Net receivables              | <u>\$ 124,408</u>                  | <u>\$ 155,926</u>                   |

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

Amounts due from other governments are detailed as follows:

|                                                  | <u>Governmental<br/>Activities</u> | <u>Business-Type<br/>Activities</u> | <u>Total</u>                |
|--------------------------------------------------|------------------------------------|-------------------------------------|-----------------------------|
| <b>Commonwealth of Virginia:</b>                 |                                    |                                     |                             |
| Communication tax                                | \$ 4,472                           | \$ -                                | \$ 4,472                    |
| Other                                            | 3                                  | 9,678                               | 9,681                       |
| <b>County of Orange, Virginia:</b>               |                                    |                                     |                             |
| Local sales taxes                                | 23,028                             | -                                   | 23,028                      |
| <b>Circuit Court of Orange County, Virginia:</b> |                                    |                                     |                             |
| Court fines                                      | <u>10,843</u>                      | <u>-</u>                            | <u>10,843</u>               |
|                                                  | <u>                    </u>        | <u>                    </u>         | <u>                    </u> |
| Total                                            | <u>\$ 38,346</u>                   | <u>\$ 9,678</u>                     | <u>\$ 48,024</u>            |

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

**NOTE 7—CAPITAL ASSETS:**

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

|                                            | <u>Balance<br/>July 1,<br/>2017</u> | <u>Increases</u>           | <u>Decreases</u>           | <u>Balance<br/>June 30,<br/>2018</u> |
|--------------------------------------------|-------------------------------------|----------------------------|----------------------------|--------------------------------------|
| <b>Governmental Activities:</b>            |                                     |                            |                            |                                      |
| Capital assets not being depreciated:      |                                     |                            |                            |                                      |
| Land                                       | \$ 423,818                          | \$ 76,537                  | \$ -                       | \$ 500,355                           |
| Construction in progress                   | <u>2,750,799</u>                    | <u>144,173</u>             | <u>2,797,794</u>           | <u>97,178</u>                        |
| Total capital assets not being depreciated | <u>\$ 3,174,617</u>                 | <u>\$ 220,710</u>          | <u>\$ 2,797,794</u>        | <u>\$ 597,533</u>                    |
| Other capital assets:                      |                                     |                            |                            |                                      |
| Land improvements                          | \$ 124,591                          | \$ -                       | \$ -                       | \$ 124,591                           |
| Buildings and improvements                 | 1,165,401                           | -                          | -                          | 1,165,401                            |
| Infrastructure                             | 322,085                             | 2,797,792                  | -                          | 3,119,877                            |
| Machinery, equipment and vehicles          | <u>314,330</u>                      | <u>20,641</u>              | <u>-</u>                   | <u>334,971</u>                       |
| Total other capital assets                 | <u>\$ 1,926,407</u>                 | <u>\$ 2,818,433</u>        | <u>\$ -</u>                | <u>\$ 4,744,840</u>                  |
| Accumulated depreciation:                  |                                     |                            |                            |                                      |
| Land improvements                          | \$ 98,907                           | \$ 3,463                   | \$ -                       | \$ 102,370                           |
| Buildings and improvements                 | 465,890                             | 32,799                     | -                          | 498,689                              |
| Infrastructure                             | 98,246                              | 43,504                     | -                          | 141,750                              |
| Machinery, equipment and vehicles          | <u>200,880</u>                      | <u>35,977</u>              | <u>-</u>                   | <u>236,857</u>                       |
| Total accumulated depreciation             | <u>\$ 863,923</u>                   | <u>\$ 115,743</u>          | <u>\$ -</u>                | <u>\$ 979,666</u>                    |
| Other capital assets, net                  | <u>\$ 1,062,484</u>                 | <u>\$ 2,702,690</u>        | <u>\$ -</u>                | <u>\$ 3,765,174</u>                  |
| Net capital assets                         | <u><u>\$ 4,237,101</u></u>          | <u><u>\$ 2,923,400</u></u> | <u><u>\$ 2,797,794</u></u> | <u><u>\$ 4,362,707</u></u>           |
| Depreciation is allocated to:              |                                     |                            |                            |                                      |
| General government administration          |                                     | \$ 71,291                  |                            |                                      |
| Public safety                              |                                     | 16,469                     |                            |                                      |
| Public works                               |                                     | 22,995                     |                            |                                      |
| Parks, Recreation, and Cultural            |                                     | <u>4,988</u>               |                            |                                      |
| Total                                      |                                     | <u><u>\$ 115,743</u></u>   |                            |                                      |

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

NOTE 7—CAPITAL ASSETS: (CONTINUED)

|                                            | Balance<br>July 1,<br>2017 | Increases         | Decreases   | Balance<br>June 30,<br>2018 |
|--------------------------------------------|----------------------------|-------------------|-------------|-----------------------------|
| <b>Business-type Activities:</b>           |                            |                   |             |                             |
| <b>Water and Sewer Fund</b>                |                            |                   |             |                             |
| Capital assets not being depreciated:      |                            |                   |             |                             |
| Land                                       | \$ 204,978                 | \$ -              | \$ -        | \$ 204,978                  |
| Construction in progress                   | -                          | 141,739           | -           | 141,739                     |
|                                            | <u>204,978</u>             | <u>141,739</u>    | <u>-</u>    | <u>346,717</u>              |
| Total capital assets not being depreciated | \$ 204,978                 | \$ 141,739        | \$ -        | \$ 346,717                  |
| Other capital assets:                      |                            |                   |             |                             |
| Buildings and improvements                 | \$ 790,876                 | \$ -              | \$ -        | \$ 790,876                  |
| Infrastructure                             | 2,951,435                  | 7,450             | -           | 2,958,885                   |
| Machinery, equipment and vehicles          | 295,332                    | 23,562            | -           | 318,894                     |
|                                            | <u>4,037,643</u>           | <u>31,012</u>     | <u>-</u>    | <u>4,068,655</u>            |
| Total other capital assets                 | \$ 4,037,643               | \$ 31,012         | \$ -        | \$ 4,068,655                |
| Accumulated depreciation:                  |                            |                   |             |                             |
| Buildings and improvements                 | \$ 355,368                 | \$ 21,321         | \$ -        | \$ 376,689                  |
| Infrastructure                             | 1,577,013                  | 73,486            | -           | 1,650,499                   |
| Machinery, equipment and vehicles          | 196,275                    | 34,163            | -           | 230,438                     |
|                                            | <u>2,128,656</u>           | <u>128,970</u>    | <u>-</u>    | <u>2,257,626</u>            |
| Total accumulated depreciation             | \$ 2,128,656               | \$ 128,970        | \$ -        | \$ 2,257,626                |
| Other capital assets, net                  | <u>1,908,987</u>           | <u>(97,958)</u>   | <u>-</u>    | <u>1,811,029</u>            |
| Net capital assets                         | <u>\$ 2,113,965</u>        | <u>\$ 43,781</u>  | <u>\$ -</u> | <u>\$ 2,157,746</u>         |
| Depreciation is allocated to:              |                            |                   |             |                             |
| Water and sewer operations                 |                            | <u>\$ 128,970</u> |             |                             |

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

NOTE 7—CAPITAL ASSETS: (CONTINUED)

|                                            | <u>Balance<br/>July 1,<br/>2017</u> | <u>Increases</u>        | <u>Decreases</u>   | <u>Balance<br/>June 30,<br/>2018</u> |
|--------------------------------------------|-------------------------------------|-------------------------|--------------------|--------------------------------------|
| <b>Business-type Activities:</b>           |                                     |                         |                    |                                      |
| <b>Airport Fund</b>                        |                                     |                         |                    |                                      |
| Capital assets not being depreciated:      |                                     |                         |                    |                                      |
| Land                                       | \$ 1,548                            | \$ -                    | \$ -               | \$ 1,548                             |
| Construction in progress                   | <u>-</u>                            | <u>19,313</u>           | <u>-</u>           | <u>19,313</u>                        |
| Total capital assets not being depreciated | <u>\$ 1,548</u>                     | <u>\$ 19,313</u>        | <u>\$ -</u>        | <u>\$ 20,861</u>                     |
| Other capital assets:                      |                                     |                         |                    |                                      |
| Infrastructure                             | <u>\$ 169,988</u>                   | <u>\$ -</u>             | <u>\$ -</u>        | <u>\$ 169,988</u>                    |
| Total other capital assets                 | <u>\$ 169,988</u>                   | <u>\$ -</u>             | <u>\$ -</u>        | <u>\$ 169,988</u>                    |
| Accumulated depreciation:                  |                                     |                         |                    |                                      |
| Infrastructure                             | <u>\$ 47,291</u>                    | <u>\$ 4,250</u>         | <u>\$ -</u>        | <u>\$ 51,541</u>                     |
| Total accumulated depreciation             | <u>\$ 47,291</u>                    | <u>\$ 4,250</u>         | <u>\$ -</u>        | <u>\$ 51,541</u>                     |
| Other capital assets, net                  | <u>\$ 122,697</u>                   | <u>\$ (4,250)</u>       | <u>\$ -</u>        | <u>\$ 118,447</u>                    |
| Net capital assets                         | <u><u>\$ 124,245</u></u>            | <u><u>\$ 15,063</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 139,308</u></u>             |
| Depreciation is allocated to:              |                                     |                         |                    |                                      |
| Airport operations                         |                                     | <u><u>\$ 4,250</u></u>  |                    |                                      |

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

**NOTE 8—UNEARNED AND DEFERRED/UNAVAILABLE REVENUE:**

Deferred/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. Under the accrual basis, assessments for future periods are deferred.

|                                                                                                                                                                                                                   | <u>Government-wide<br/>Statements</u> | <u>Balance<br/>Sheet</u>      |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|-------------------------------|
|                                                                                                                                                                                                                   | <u>Governmental<br/>Activities</u>    | <u>Governmental<br/>Funds</u> |
| Deferred/Unavailable Property Tax Revenue:                                                                                                                                                                        |                                       |                               |
| Unavailable revenue representing uncollected property tax billings for which asset recognition criteria has not been met. The uncollected tax billings are not available for the funding of current expenditures. | \$ -                                  | \$ 19,115                     |
| 2nd half assessments due after June 30                                                                                                                                                                            | 67,711                                | 67,711                        |
| Prepaid property taxes due after June 30 but paid in advance by taxpayers                                                                                                                                         | 7,698                                 | 7,698                         |
| Total deferred/unavailable revenue                                                                                                                                                                                | <u>\$ 75,409</u>                      | <u>\$ 94,524</u>              |
| Unearned revenue:                                                                                                                                                                                                 |                                       |                               |
| Land lease                                                                                                                                                                                                        | <u>\$ 229,614</u>                     | <u>\$ 229,614</u>             |

**NOTE 9—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 \$42,527 in governmental activities (funded by the General Fund) and \$5,362 in the Water and Sewer Fund.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

**NOTE 10—LONG-TERM OBLIGATIONS:**

The following is a summary of long-term obligations of the Town for the year ended June 30, 2018.

|                                                              | <u>Balance</u><br><u>July 1, 2017</u><br><u>Restated</u> | <u>Issuances/</u><br><u>Increases</u> | <u>Retirements/</u><br><u>Decreases</u> | <u>Balance</u><br><u>June 30, 2018</u> |
|--------------------------------------------------------------|----------------------------------------------------------|---------------------------------------|-----------------------------------------|----------------------------------------|
| Long-term liabilities payable from governmental activities:  |                                                          |                                       |                                         |                                        |
| VRA Bond                                                     | \$ 291,600                                               | \$ -                                  | \$ 43,200                               | \$ 248,400                             |
| GO Bonds                                                     | 1,259,932                                                | 1,376,250                             | 1,304,932                               | 1,331,250                              |
| Premium on Bond                                              | 21,852                                                   | -                                     | 6,138                                   | 15,714                                 |
| Settlement Agreement - Orange County                         | 85,500                                                   | -                                     | 9,500                                   | 76,000                                 |
| Capital leases                                               | 35,705                                                   | -                                     | 19,684                                  | 16,021                                 |
| Net pension liability                                        | 118,049                                                  | 137,134                               | 209,927                                 | 45,256                                 |
| Net OPEB liability                                           | 48,280                                                   | -                                     | 10,232                                  | 38,048                                 |
| Compensated absences                                         | 37,011                                                   | 5,516                                 | -                                       | 42,527                                 |
|                                                              | <u>\$ 1,897,929</u>                                      | <u>\$ 1,518,900</u>                   | <u>\$ 1,603,613</u>                     | <u>\$ 1,813,216</u>                    |
| Total from governmental activities                           |                                                          |                                       |                                         |                                        |
| Long-term liabilities payable from business-type activities: |                                                          |                                       |                                         |                                        |
| VRA Bond                                                     | \$ 248,400                                               | \$ -                                  | \$ 36,800                               | \$ 211,600                             |
| GO Bonds                                                     | 265,068                                                  | 270,350                               | 265,068                                 | 270,350                                |
| Premium on Bonds                                             | 18,614                                                   | -                                     | 5,228                                   | 13,386                                 |
| Capital leases                                               | 4,491                                                    | -                                     | 4,491                                   | -                                      |
| Net pension liability                                        | 33,551                                                   | 38,974                                | 59,663                                  | 12,862                                 |
| Net OPEB liability                                           | 19,720                                                   | -                                     | 4,179                                   | 15,541                                 |
| Compensated absences                                         | 5,005                                                    | 357                                   | -                                       | 5,362                                  |
|                                                              | <u>\$ 594,849</u>                                        | <u>\$ 309,681</u>                     | <u>\$ 375,429</u>                       | <u>\$ 529,101</u>                      |
| Total from business-type activities                          |                                                          |                                       |                                         |                                        |
| Total long-term obligations                                  |                                                          |                                       |                                         |                                        |
|                                                              | <u>\$ 2,492,778</u>                                      | <u>\$ 1,828,581</u>                   | <u>\$ 1,979,042</u>                     | <u>\$ 2,342,317</u>                    |
| Reconciliation to Exhibit 1:                                 |                                                          |                                       |                                         |                                        |
| Long-term liabilities:                                       |                                                          |                                       |                                         |                                        |
| Due within one year                                          |                                                          |                                       | \$ 205,502                              |                                        |
| Due in more than one year                                    |                                                          |                                       | <u>2,136,815</u>                        |                                        |
| Total long-term liabilities                                  |                                                          |                                       | <u>\$ 2,342,317</u>                     |                                        |

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

**NOTE 10—LONG-TERM OBLIGATIONS: (CONTINUED)**

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

| Year Ended<br>June 30, | VRA Series 2002A<br>\$905,000 |           | VML/VACO Series 2018A/2018B<br>\$1,601,600 |            | Total        |            |
|------------------------|-------------------------------|-----------|--------------------------------------------|------------|--------------|------------|
|                        | Principal                     | Interest  | Principal                                  | Interest   | Principal    | Interest   |
| 2019                   | \$ 80,000                     | \$ 19,775 | \$ 85,500                                  | \$ 52,750  | \$ 165,500   | \$ 72,525  |
| 2020                   | 85,000                        | 16,397    | 84,600                                     | 53,713     | 169,600      | 70,110     |
| 2021                   | 90,000                        | 12,512    | 87,700                                     | 50,583     | 177,700      | 63,095     |
| 2022                   | 100,000                       | 7,944     | 91,000                                     | 47,335     | 191,000      | 55,279     |
| 2023                   | 105,000                       | 2,691     | 94,300                                     | 43,966     | 199,300      | 46,657     |
| 2024-2028              | -                             | -         | 526,500                                    | 164,719    | 526,500      | 164,719    |
| 2029-2032              | -                             | -         | 632,000                                    | 59,396     | 632,000      | 59,396     |
| Totals                 | \$ 460,000                    | \$ 59,319 | \$ 1,601,600                               | \$ 472,462 | \$ 2,061,600 | \$ 531,781 |

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

| Year Ended<br>June 30, | Police Cars<br>\$62,517 |          |
|------------------------|-------------------------|----------|
|                        | Principal               | Interest |
| 2019                   | \$ 16,021               | \$ 873   |
| Totals                 | \$ 16,021               | \$ 873   |

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

NOTE 10—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-term Indebtedness:

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <u>Total<br/>Amount<br/>Outstanding</u> | <u>Amount<br/>Due Within<br/>One Year</u> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|-------------------------------------------|
| <u>Governmental Activities:</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                         |                                           |
| Bonds:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                         |                                           |
| 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. | \$ 248,400                              | \$ 43,200                                 |
| Premium on Issuance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | \$ 15,714                               | \$ 5,234                                  |
| On February 26, 2018, the Town issued General Obligation Refunding Bonds in the amount of \$900,000 and \$701,600 with interest at 3.28% and 4.11%, respectively, through August 1, 2032. Annual installments are due ranging from \$48,700 to \$74,600. Proceeds were used to pay off interim financing. Proceeds have been allocated 83% to the general fund and 17% to the water and sewer fund.                                                                                                                                                                                                                                                                                                                                                                                                                                        | \$ 1,331,250                            | \$ 71,068                                 |
| Total bonds payable                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | \$ 1,595,364                            | \$ 119,502                                |
| Settlement Agreement:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                         |                                           |
| The Town entered into a settlement agreement with Orange County, Virginia in December 2016 related to the County Treasurer's overpayment of \$95,000 in sales tax to the Town. The settlement terms require ten (10) annual payments of \$9,500 without interest beginning July 1, 2017.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | \$ 76,000                               | \$ 9,500                                  |
| Capital leases:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                         |                                           |
| In July 2016, the Town entered into a long-term lease through June, 2019 to finance the purchase of two police vehicles. This lease provides for annual payments in the amount of \$16,894, which includes principal and interest. Interest is charged at a rate of 5.45%. The vehicles were capitalized in the amount of \$61,972.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | \$ 16,021                               | \$ 16,021                                 |
| Net pension liability                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | \$ 45,256                               | \$ -                                      |
| Net OPEB liability                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | \$ 38,048                               | \$ -                                      |
| Compensated absences                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | \$ 42,527                               | \$ 4,253                                  |
| Total long-term obligations from governmental activities                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | <u>\$ 1,813,216</u>                     | <u>\$ 149,276</u>                         |



TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

**NOTE 10—LONG-TERM OBLIGATIONS: (CONTINUED)**

Details of Long-term Indebtedness: (Continued)

|                                                                                               | <u>Total<br/>Amount<br/>Outstanding</u> | <u>Amount<br/>Due Within<br/>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. | \$ 211,600                              | \$ 36,800                                 |
| Payments on the 2018 bonds described above are allocated 17% to the water and sewer fund.     | \$ 270,350                              | \$ 14,432                                 |
| Total bonds payable                                                                           | \$ 481,950                              | \$ 51,232                                 |
| Premium on Issuance                                                                           | \$ 13,386                               | \$ 4,458                                  |
| Net pension liability                                                                         | \$ 12,862                               | \$ -                                      |
| Net OPEB liability                                                                            | \$ 15,541                               | \$ -                                      |
| Compensated absences                                                                          | \$ 5,362                                | \$ 536                                    |
| Total long-term obligations from business-type activities                                     | \$ 529,101                              | \$ 56,226                                 |

**NOTE 11—LEASE AND RELATED AGREEMENTS:**

Lease of Land

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

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

Rent revenue under the contract totals approximately \$232,000 per year, not including miscellaneous charges. For the fiscal year ended June 30, 2018, rent and miscellaneous charges totaled \$386,937.

**NOTE 11—LEASE AND RELATED AGREEMENTS: (CONTINUED)**

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Water Agreements

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

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

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

On April 18, 2016, a quarry water access agreement and deed of easement was entered into between the Town and Klockner Pentaplast of America, Inc. The term of the agreement is 5 years and the parties agreed to enter into good faith negotiations to extend the term of the agreement at least 6 months prior to the expiration of the initial term of the agreement. Klockner shall pay the Town \$6,000 per year in accordance with this agreement. The fiscal year 2018 revenue includes the FY17 payment, which was not made until November 2017.

**NOTE 12—PENSION PLAN:**

*Plan Description*

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

The System administers three different benefit structures for covered employees - Plan 1, Plan 2, and Hybrid. Each of these benefit structures has different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

| RETIREMENT PLAN PROVISIONS                                                                                                                                                                           |                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| PLAN 1                                                                                                                                                                                               | PLAN 2                                                                                                                                                                                               | HYBRID RETIREMENT PLAN                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <p><b>About Plan 1</b><br/>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.</p> | <p><b>About Plan 2</b><br/>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.</p> | <p><b>About the Hybrid Retirement Plan</b><br/>The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none"> <li>• The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</li> <li>• The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.</li> <li>• In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.</li> </ul> |

NOTE 12—PENSION PLAN: (CONTINUED)

*Plan Description (Continued)*

| RETIREMENT PLAN PROVISIONS (CONTINUED)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| PLAN 1                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | PLAN 2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | HYBRID RETIREMENT PLAN                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <p><b>Eligible Members</b><br/>Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.</p> <p><b>Hybrid Opt-In Election</b><br/>VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan’s effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> | <p><b>Eligible Members</b><br/>Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p><b>Hybrid Opt-In Election</b><br/>Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan’s effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> | <p><b>Eligible Members</b><br/>Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> <li>• Political subdivision employees*</li> <li>• Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan’s effective date for opt-in members was July 1, 2014.</li> </ul> <p><b>*Non-Eligible Members</b><br/>Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> <li>• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.</li> </ul> |

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

NOTE 12—PENSION PLAN: (CONTINUED)

*Plan Description (Continued)*

| RETIREMENT PLAN PROVISIONS (CONTINUED)                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| PLAN 1                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | PLAN 2                                                                                                                                                                                                                                  | HYBRID RETIREMENT PLAN                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <p><b>Hybrid Opt-In Election (Cont.)</b><br/>Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>                                                                                                                                                                                                                                                                | <p><b>Hybrid Opt-In Election (Cont.)</b><br/>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p> | <p><b>*Non-Eligible Members (Cont.)</b><br/>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>                                                                                                                                                                                                                                                                                  |
| <p><b>Retirement Contributions</b><br/>Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p> | <p><b>Retirement Contributions</b><br/>Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.</p>                                                            | <p><b>Retirement Contributions</b><br/>A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p> |

NOTE 12—PENSION PLAN: (CONTINUED)

*Plan Description (Continued)*

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

NOTE 12—PENSION PLAN: (CONTINUED)

*Plan Description (Continued)*

| RETIREMENT PLAN PROVISIONS (CONTINUED)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| PLAN 1                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | PLAN 2                                    | HYBRID RETIREMENT PLAN                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <p><b>Vesting</b><br/>Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p> | <p><b>Vesting</b><br/>Same as Plan 1.</p> | <p><b>Vesting</b><br/><u><b>Defined Benefit Component:</b></u><br/>Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service.</p> <p>Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u><b>Defined Contribution Component:</b></u><br/>Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> |

NOTE 12—PENSION PLAN: (CONTINUED)

*Plan Description (Continued)*

| RETIREMENT PLAN PROVISIONS (CONTINUED)                                                                                                                                                                                                                                                   |                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| PLAN 1                                                                                                                                                                                                                                                                                   | PLAN 2                                                                 | HYBRID RETIREMENT PLAN                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Vesting (Cont.)                                                                                                                                                                                                                                                                          | Vesting (Cont.)                                                        | <p>Vesting (Cont.)<br/><u>Defined Contribution Component: (Cont.)</u><br/>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul> <p>Distribution is not required by law until age 70½.</p> |
| <p><b>Calculating the Benefit</b><br/>The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p> | <p><b>Calculating the Benefit</b><br/>See definition under Plan 1.</p> | <p><b>Calculating the Benefit</b><br/><u>Defined Benefit Component:</u><br/>See definition under Plan 1.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |



TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

NOTE 12—PENSION PLAN: (CONTINUED)

*Plan Description (Continued)*

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

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

NOTE 12—PENSION PLAN: (CONTINUED)

*Plan Description (Continued)*

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

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

NOTE 12—PENSION PLAN: (CONTINUED)

*Plan Description (Continued)*

| RETIREMENT PLAN PROVISIONS (CONTINUED)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| PLAN 1                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | PLAN 2                                                                                                                                                                                                                                                                           | HYBRID RETIREMENT PLAN                                                                                                                                                                                                                                                                         |
| <p><b>Earliest Reduced Retirement Eligibility (Cont.)</b></p> <p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | <p><b>Earliest Reduced Retirement Eligibility (Cont.)</b></p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>                                                                                                                                            | <p><b>Earliest Reduced Retirement Eligibility (Cont.)</b></p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><b><u>Defined Contribution Component:</u></b><br/>Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p> |
| <p><b>Cost-of-Living Adjustment (COLA) in Retirement</b><br/>The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><b><u>Eligibility:</u></b><br/>For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> | <p><b>Cost-of-Living Adjustment (COLA) in Retirement</b><br/>The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><b><u>Eligibility:</u></b><br/>Same as Plan 1.</p> | <p><b>Cost-of-Living Adjustment (COLA) in Retirement</b><br/><b><u>Defined Benefit Component:</u></b><br/>Same as Plan 2.</p> <p><b><u>Defined Contribution Component:</u></b><br/>Not applicable.</p> <p><b><u>Eligibility:</u></b><br/>Same as Plan 1 and Plan 2.</p>                        |

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

NOTE 12—PENSION PLAN: (CONTINUED)

*Plan Description (Continued)*

| RETIREMENT PLAN PROVISIONS (CONTINUED)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                     |                                                                                                                                                |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------|
| PLAN 1                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | PLAN 2                                                                                                                              | HYBRID RETIREMENT PLAN                                                                                                                         |
| <p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u><br/>The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> <li>• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</li> <li>• The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.</li> <li>• The member dies in service and the member’s survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.</li> </ul> | <p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u><br/>Same as Plan 1.</p> | <p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u><br/>Same as Plan 1 and Plan 2.</p> |

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

NOTE 12—PENSION PLAN: (CONTINUED)

*Plan Description (Continued)*

| RETIREMENT PLAN PROVISIONS (CONTINUED)                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| PLAN 1                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | PLAN 2                                                                                                                                                                                                                                         | HYBRID RETIREMENT PLAN                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <p><b>Disability Coverage</b><br/>Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p>                                                                                                                                                                                                                                                  | <p><b>Disability Coverage</b><br/>Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> | <p><b>Disability Coverage</b><br/>Employees of political subdivisions (including Plan 1 and Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p> |
| <p><b>Purchase of Prior Service</b><br/>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. Members also may be eligible to purchase periods of leave without pay.</p> | <p><b>Purchase of Prior Service</b><br/>Same as Plan 1.</p>                                                                                                                                                                                    | <p><b>Purchase of Prior Service</b><br/><b><u>Defined Benefit Component:</u></b><br/>Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> <li>• Hybrid Retirement Plan members are ineligible for ported service.</li> </ul> <p><b><u>Defined Contribution Component:</u></b><br/>Not applicable.</p>                                                                                                                                |

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

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NOTE 12—PENSION PLAN: (CONTINUED)

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*Pension Plan Data*

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report-pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

*Employees Covered by Benefit Terms*

As of the June 30, 2016 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

|                                                                      | <u>Number</u>    |
|----------------------------------------------------------------------|------------------|
| Inactive members or their beneficiaries currently receiving benefits | 5                |
| Inactive members:                                                    |                  |
| Vested inactive members                                              | 3                |
| Non-vested inactive members                                          | 6                |
| Inactive members active elsewhere in VRS                             | <u>10</u>        |
| Total inactive members                                               | 19               |
| Active members                                                       | <u>16</u>        |
| Total covered employees                                              | <u><u>40</u></u> |

*Contributions*

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The Town's contractually required employer contribution rate for the year ended June 30, 2018 was 8.87% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$57,560 and \$56,233 for the years ended June 30, 2018 and June 30, 2017, respectively.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

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NOTE 12—PENSION PLAN: (CONTINUED)

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*Net Pension Liability*

The Town's net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

*Actuarial Assumptions - General Employees*

The total pension liability for General Employees in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

|                                       |                                                                     |
|---------------------------------------|---------------------------------------------------------------------|
| Inflation                             | 2.5%                                                                |
| Salary increases, including inflation | 3.5% - 5.35%                                                        |
| Investment rate of return             | 7.0%, net of pension plan investment expenses, including inflation* |

\* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:

Largest 10 - Non-Hazardous Duty: 20% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

All Others (Non 10 Largest) - Non-Hazardous Duty: 15% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

NOTE 12—PENSION PLAN: (CONTINUED)

*Actuarial Assumptions - General Employees (Continued)*

All Others (Non 10 Largest) - Non-Hazardous Duty: (Continued)

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-Hazardous Duty:

|                                                                         |                                                                                                 |
|-------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020                           |
| Retirement Rates                                                        | Lowered rates at older ages and changed final retirement from 70 to 75                          |
| Withdrawal Rates                                                        | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates                                                        | Lowered rates                                                                                   |
| Salary Scale                                                            | No change                                                                                       |
| Line of Duty Disability                                                 | Increased rate from 14% to 20%                                                                  |

All Others (Non 10 Largest) - Non-Hazardous Duty:

|                                                                         |                                                                                                 |
|-------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020                           |
| Retirement Rates                                                        | Lowered rates at older ages and changed final retirement from 70 to 75                          |
| Withdrawal Rates                                                        | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates                                                        | Lowered rates                                                                                   |
| Salary Scale                                                            | No change                                                                                       |
| Line of Duty Disability                                                 | Increased rate from 14% to 15%                                                                  |



TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

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NOTE 12—PENSION PLAN: (CONTINUED)

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*Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits*

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

|                                       |                                                                     |
|---------------------------------------|---------------------------------------------------------------------|
| Inflation                             | 2.5%                                                                |
| Salary increases, including inflation | 3.5% - 4.75%                                                        |
| Investment rate of return             | 7.0%, net of pension plan investment expenses, including inflation* |

\* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:

Largest 10 - Non-Hazardous Duty: 70% of deaths are assumed to be service related:

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

NOTE 12—PENSION PLAN: (CONTINUED)

*Actuarial Assumptions - Public Safety Employees (Continued)*

Mortality rates: (Continued)

All Others (Non 10 Largest) - Non-Hazardous Duty: 45% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Hazardous Duty:

|                                                                         |                                                                       |
|-------------------------------------------------------------------------|-----------------------------------------------------------------------|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 |
| Retirement Rates                                                        | Lowered rates at older ages                                           |
| Withdrawal Rates                                                        | Adjusted rates to better fit experience                               |
| Disability Rates                                                        | Increased rates                                                       |
| Salary Scale                                                            | No change                                                             |
| Line of Duty Disability                                                 | Increased rate from 60% to 70%                                        |

All Others (Non 10 Largest) - Hazardous Duty:

|                                                                         |                                                                                                 |
|-------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020                           |
| Retirement Rates                                                        | Increased age 50 rates, and lowered rates at older ages                                         |
| Withdrawal Rates                                                        | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates                                                        | Adjusted rates to better fit experience                                                         |
| Salary Scale                                                            | No change                                                                                       |
| Line of Duty Disability                                                 | Decreased rate from 60% to 45%                                                                  |

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

NOTE 12—PENSION PLAN: (CONTINUED)

*Long-Term Expected Rate of Return*

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class (Strategy) | Target Allocation | Arithmetic Long-term Expected Rate of Return | Weighted Average Long-term Expected Rate of Return |
|------------------------|-------------------|----------------------------------------------|----------------------------------------------------|
| Public Equity          | 40.00%            | 4.54%                                        | 1.82%                                              |
| Fixed Income           | 15.00%            | 0.69%                                        | 0.10%                                              |
| Credit Strategies      | 15.00%            | 3.96%                                        | 0.59%                                              |
| Real Assets            | 15.00%            | 5.76%                                        | 0.86%                                              |
| Private Equity         | 15.00%            | 9.53%                                        | 1.43%                                              |
| Total                  | 100.00%           |                                              | 4.80%                                              |
|                        |                   | Inflation                                    | 2.50%                                              |
|                        |                   | *Expected arithmetic nominal return          | 7.30%                                              |

\* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

NOTE 12—PENSION PLAN: (CONTINUED)

*Discount Rate*

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the employer for the Town Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

*Changes in Net Pension Liability*

|                                                                  | Increase (Decrease)                  |                                          |                                          |
|------------------------------------------------------------------|--------------------------------------|------------------------------------------|------------------------------------------|
|                                                                  | Total<br>Pension<br>Liability<br>(a) | Plan<br>Fiduciary<br>Net Position<br>(b) | Net<br>Pension<br>Liability<br>(a) - (b) |
| Balances at June 30, 2016                                        | \$ 1,321,670                         | \$ 1,170,070                             | \$ 151,600                               |
| Changes for the year:                                            |                                      |                                          |                                          |
| Service cost                                                     | \$ 86,025                            | \$ -                                     | \$ 86,025                                |
| Interest                                                         | 89,159                               | -                                        | 89,159                                   |
| Changes in assumptions                                           | (13,270)                             | -                                        | (13,270)                                 |
| Differences between expected<br>and actual experience            | (28,010)                             | -                                        | (28,010)                                 |
| Contributions - employer                                         | -                                    | 56,233                                   | (56,233)                                 |
| Contributions - employee                                         | -                                    | 31,436                                   | (31,436)                                 |
| Net investment income                                            | -                                    | 140,641                                  | (140,641)                                |
| Benefit payments, including refunds<br>of employee contributions | (95,952)                             | (95,952)                                 | -                                        |
| Administrative expenses                                          | -                                    | (797)                                    | 797                                      |
| Other changes                                                    | -                                    | (127)                                    | 127                                      |
| Net changes                                                      | <u>\$ 37,952</u>                     | <u>\$ 131,434</u>                        | <u>\$ (93,482)</u>                       |
| Balances at June 30, 2017                                        | <u>\$ 1,359,622</u>                  | <u>\$ 1,301,504</u>                      | <u>\$ 58,118</u>                         |

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

NOTE 12—PENSION PLAN: (CONTINUED)

*Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate*

The following presents the net pension liability of the Town using the discount rate of 7.00%, as well as what the Town's net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

|                                      | Rate        |                  |              |
|--------------------------------------|-------------|------------------|--------------|
|                                      | 1% Decrease | Current Discount | 1% Increase  |
|                                      | (6.00%)     | (7.00%)          | (8.00%)      |
| Town's Net Pension Liability (Asset) | \$ 263,803  | \$ 58,118        | \$ (109,808) |

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

For the year ended June 30, 2018, the Town recognized pension expense of \$46,543. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|                                                                                  | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|----------------------------------------------------------------------------------|-----------------------------------|----------------------------------|
| Differences between expected and actual experience                               | \$ 15,545                         | \$ 20,561                        |
| Change in assumptions                                                            | -                                 | 9,741                            |
| Net difference between projected and actual earnings on pension plan investments | -                                 | 18,748                           |
| Changes in proportion                                                            | 720                               | 720                              |
| Employer contributions subsequent to the measurement date                        | 57,560                            | -                                |
| Total                                                                            | \$ 73,825                         | \$ 49,770                        |

\$57,560 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

| Year ended June 30 |             |
|--------------------|-------------|
| 2019               | \$ (16,547) |
| 2020               | (1,417)     |
| 2021               | (3,731)     |
| 2022               | (11,810)    |
| Thereafter         | -           |

**Note 13—Other Postemployment Benefits:**

**Group Life Insurance (GLI) Program**

*Plan Description*

All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the Group Life Insurance Program OPEB.

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below:

| <b>GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Eligible Employees</b></p> <p>The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:</p> <ul style="list-style-type: none"><li>• City of Richmond</li><li>• City of Portsmouth</li><li>• City of Roanoke</li><li>• City of Norfolk</li><li>• Roanoke City School Board</li></ul> <p>Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.</p> |

**Note 13—Other Postemployment Benefits: (Continued)**

**Group Life Insurance (GLI) Program: (Continued)**

*Plan Description (Continued)*

| GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS (CONTINUED)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Benefit Amounts</b></p> <p>The benefits payable under the Group Life Insurance Program have several components.</p> <ul style="list-style-type: none"> <li>• <b><u>Natural Death Benefit</u></b> - The natural death benefit is equal to the employee’s covered compensation rounded to the next highest thousand and then doubled.</li> <li>• <b><u>Accidental Death Benefit</u></b> - The accidental death benefit is double the natural death benefit.</li> <li>• <b><u>Other Benefit Provisions</u></b> - In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: <ul style="list-style-type: none"> <li>○ Accidental dismemberment benefit</li> <li>○ Safety belt benefit</li> <li>○ Repatriation benefit</li> <li>○ Felonious assault benefit</li> <li>○ Accelerated death benefit option</li> </ul> </li> </ul> |
| <p><b>Reduction in Benefit Amounts</b></p> <p>The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <p><b>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</b></p> <p>For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute. The amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently \$8,111.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |

***Contributions***

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer’s contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the entity were \$3,480 and \$3,411 for the years ended June 30, 2018 and June 30, 2017, respectively.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

**Note 13—Other Postemployment Benefits: (Continued)**

**Group Life Insurance (GLI) Program: (Continued)**

*GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB*

At June 30, 2018, the entity reported a liability of \$53,589 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the participating employer's proportion was .00356% as compared to .00388% at June 30, 2016.

For the year ended June 30, 2018, the participating employer recognized GLI OPEB expense of \$0. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

|                                                                                      | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|--------------------------------------------------------------------------------------|-------------------------------------------|------------------------------------------|
| Differences between expected and actual experience                                   | \$ -                                      | \$ 1,000                                 |
| Net difference between projected and actual earnings on GLI OPEB program investments | -                                         | 2,000                                    |
| Change in assumptions                                                                | -                                         | 3,000                                    |
| Changes in proportion                                                                | -                                         | 5,000                                    |
| Employer contributions subsequent to the measurement date                            | <u>3,480</u>                              | <u>-</u>                                 |
| Total                                                                                | <u>\$ 3,480</u>                           | <u>\$ 11,000</u>                         |



TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

**Note 13—Other Postemployment Benefits: (Continued)**

**Group Life Insurance (GLI) Program: (Continued)**

*GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB (Continued)*

\$3,480 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

| <u>Year Ended June 30</u> |            |
|---------------------------|------------|
| 2019                      | \$ (2,000) |
| 2020                      | (2,000)    |
| 2021                      | (2,000)    |
| 2022                      | (2,000)    |
| 2023                      | (2,000)    |
| Thereafter                | (1,000)    |

***Actuarial Assumptions***

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

|                                        |                                                           |
|----------------------------------------|-----------------------------------------------------------|
| Inflation                              | 2.5%                                                      |
| Salary increases, including inflation: |                                                           |
| General state employees                | 3.5% - 5.35%                                              |
| Teachers                               | 3.5%-5.95%                                                |
| SPORS employees                        | 3.5%-4.75%                                                |
| VaLORS employees                       | 3.5%-4.75%                                                |
| JRS employees                          | 4.5%                                                      |
| Locality - General employees           | 3.5%-5.35%                                                |
| Locality - Hazardous Duty employees    | 3.5%-4.75%                                                |
| Investment rate of return              | 7.0%, net of investment expenses,<br>including inflation* |

\*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of OPEB liabilities.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

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Note 13—Other Postemployment Benefits: (Continued)

Group Life Insurance (GLI) Program: (Continued)

*Actuarial Assumptions: (Continued)*

**Mortality Rates - General State Employees**

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

|                                                                         |                                                                                                 |
|-------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020                           |
| Retirement Rates                                                        | Lowered rates at older ages and changed final retirement from 70 to 75                          |
| Withdrawal Rates                                                        | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates                                                        | Adjusted rates to better match experience                                                       |
| Salary Scale                                                            | No change                                                                                       |
| Line of Duty Disability                                                 | Increased rate from 14% to 25%                                                                  |

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

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Note 13—Other Postemployment Benefits: (Continued)

Group Life Insurance (GLI) Program: (Continued)

*Actuarial Assumptions: (Continued)*

**Mortality Rates - Teachers**

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

|                                                                         |                                                                                                 |
|-------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020                           |
| Retirement Rates                                                        | Lowered rates at older ages and changed final retirement from 70 to 75                          |
| Withdrawal Rates                                                        | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates                                                        | Adjusted rates to better match experience                                                       |
| Salary Scale                                                            | No change                                                                                       |

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

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Note 13—Other Postemployment Benefits: (Continued)

Group Life Insurance (GLI) Program: (Continued)

*Actuarial Assumptions: (Continued)*

**Mortality Rates - SPORS Employees**

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

|                                                                         |                                                                                                                                               |
|-------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience |
| Retirement Rates                                                        | Increased age 50 rates and lowered rates at older ages                                                                                        |
| Withdrawal Rates                                                        | Adjusted rates to better fit experience                                                                                                       |
| Disability Rates                                                        | Adjusted rates to better match experience                                                                                                     |
| Salary Scale                                                            | No change                                                                                                                                     |
| Line of Duty Disability                                                 | Increased rate from 60% to 85%                                                                                                                |

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

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Note 13—Other Postemployment Benefits: (Continued)

Group Life Insurance (GLI) Program: (Continued)

*Actuarial Assumptions: (Continued)*

**Mortality Rates - VaLORS Employees**

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

|                                                                         |                                                                                                                                               |
|-------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience |
| Retirement Rates                                                        | Increased age 50 rates and lowered rates at older ages                                                                                        |
| Withdrawal Rates                                                        | Adjusted rates to better fit experience at each year age and service through 9 years of service                                               |
| Disability Rates                                                        | Adjusted rates to better match experience                                                                                                     |
| Salary Scale                                                            | No change                                                                                                                                     |
| Line of Duty Disability                                                 | Decreased rate from 50% to 35%                                                                                                                |

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

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**Note 13—Other Postemployment Benefits: (Continued)**

**Group Life Insurance (GLI) Program: (Continued)**

*Actuarial Assumptions: (Continued)*

**Mortality Rates - JRS Employees**

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% compounding increase from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

|                                                                         |                                                                       |
|-------------------------------------------------------------------------|-----------------------------------------------------------------------|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 |
| Retirement Rates                                                        | Decreased rates at first retirement eligibility                       |
| Withdrawal Rates                                                        | No change                                                             |
| Disability Rates                                                        | Removed disability rates                                              |
| Salary Scale                                                            | No change                                                             |

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

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Note 13—Other Postemployment Benefits: (Continued)

Group Life Insurance (GLI) Program: (Continued)

*Actuarial Assumptions: (Continued)*

**Mortality Rates - Largest Ten Locality Employers - General Employees**

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

|                                                                         |                                                                                        |
|-------------------------------------------------------------------------|----------------------------------------------------------------------------------------|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020                  |
| Retirement Rates                                                        | Lowered retirement rates at older ages and extended final retirement age from 70 to 75 |
| Withdrawal Rates                                                        | Adjusted termination rates to better fit experience at each age and service year       |
| Disability Rates                                                        | Lowered disability rates                                                               |
| Salary Scale                                                            | No change                                                                              |
| Line of Duty Disability                                                 | Increased rate from 14% to 20%                                                         |

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

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**Note 13—Other Postemployment Benefits: (Continued)**

**Group Life Insurance (GLI) Program: (Continued)**

*Actuarial Assumptions: (Continued)*

**Mortality Rates - Non-Largest Ten Locality Employers - General Employees**

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

|                                                                         |                                                                                        |
|-------------------------------------------------------------------------|----------------------------------------------------------------------------------------|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020                  |
| Retirement Rates                                                        | Lowered retirement rates at older ages and extended final retirement age from 70 to 75 |
| Withdrawal Rates                                                        | Adjusted termination rates to better fit experience at each age and service year       |
| Disability Rates                                                        | Lowered disability rates                                                               |
| Salary Scale                                                            | No change                                                                              |
| Line of Duty Disability                                                 | Increased rate from 14% to 15%                                                         |

**Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees**

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.



TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

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**Note 13—Other Postemployment Benefits: (Continued)**

**Group Life Insurance (GLI) Program: (Continued)**

*Actuarial Assumptions: (Continued)*

**Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees: (Continued)**

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

|                                                                         |                                                                                  |
|-------------------------------------------------------------------------|----------------------------------------------------------------------------------|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020            |
| Retirement Rates                                                        | Lowered retirement rates at older ages                                           |
| Withdrawal Rates                                                        | Adjusted termination rates to better fit experience at each age and service year |
| Disability Rates                                                        | Increased disability rates                                                       |
| Salary Scale                                                            | No change                                                                        |
| Line of Duty Disability                                                 | Increased rate from 60% to 70%                                                   |

**Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees**

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

**Note 13—Other Postemployment Benefits: (Continued)**

**Group Life Insurance (GLI) Program: (Continued)**

*Actuarial Assumptions: (Continued)*

**Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees: (Continued)**

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

|                                                                         |                                                                                  |
|-------------------------------------------------------------------------|----------------------------------------------------------------------------------|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020            |
| Retirement Rates                                                        | Increased age 50 rates and lowered rates at older ages                           |
| Withdrawal Rates                                                        | Adjusted termination rates to better fit experience at each age and service year |
| Disability Rates                                                        | Adjusted rates to better match experience                                        |
| Salary Scale                                                            | No change                                                                        |
| Line of Duty Disability                                                 | Decreased rate from 60% to 45%                                                   |

***NET GLI OPEB Liability***

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

|                                                                                | <b>Group Life<br/>Insurance OPEB<br/>Program</b> |
|--------------------------------------------------------------------------------|--------------------------------------------------|
| Total GLI OPEB Liability                                                       | \$ 2,942,426                                     |
| Plan Fiduciary Net Position                                                    | 1,437,586                                        |
| Employers' Net GLI OPEB Liability (Asset)                                      | <u>\$ 1,504,840</u>                              |
| Plan Fiduciary Net Position as a Percentage<br>of the Total GLI OPEB Liability | 48.86%                                           |

The total GLI OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

**Note 13—Other Postemployment Benefits: (Continued)**

**Group Life Insurance (GLI) Program: (Continued)**

*Long-Term Expected Rate of Return*

The long-term expected rate of return on the System’s investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of System’s investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class (Strategy)</u> | <u>Target Allocation</u> | <u>Arithmetic Long-term Expected Rate of Return</u> | <u>Weighted Average Long-term Expected Rate of Return</u> |
|-------------------------------|--------------------------|-----------------------------------------------------|-----------------------------------------------------------|
| Public Equity                 | 40.00%                   | 4.54%                                               | 1.82%                                                     |
| Fixed Income                  | 15.00%                   | 0.69%                                               | 0.10%                                                     |
| Credit Strategies             | 15.00%                   | 3.96%                                               | 0.59%                                                     |
| Real Assets                   | 15.00%                   | 5.76%                                               | 0.86%                                                     |
| Private Equity                | 15.00%                   | 9.53%                                               | 1.43%                                                     |
| Total                         | 100.00%                  |                                                     | 4.80%                                                     |
|                               |                          | Inflation                                           | 2.50%                                                     |
|                               |                          | *Expected arithmetic nominal return                 | 7.30%                                                     |

\*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

*Discount Rate*

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB’s fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

**Note 13—Other Postemployment Benefits: (Continued)**

**Group Life Insurance (GLI) Program: (Continued)**

*Sensitivity of the Employer’s Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate*

The following presents the employer’s proportionate share of the net GLI OPEB liability using the discount rate of 7.00%, as well as what the employer’s proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

|                                                                                         | Rate                   |                             |                        |
|-----------------------------------------------------------------------------------------|------------------------|-----------------------------|------------------------|
|                                                                                         | 1% Decrease<br>(6.00%) | Current Discount<br>(7.00%) | 1% Increase<br>(8.00%) |
| Town's proportionate share of the<br>Group Life Insurance Program<br>Net OPEB Liability | \$ 69,000              | \$ 53,589                   | \$ 41,000              |

***Group Life Insurance Program Fiduciary Net Position***

Detailed information about the Group Life Insurance Program’s Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**Line of Duty Act (LODA)**

The Line of Duty Act (LODA) provides death and healthcare benefits to certain law enforcement and rescue personnel, and their beneficiaries, who were disabled or killed in the line of duty. Benefit provisions and eligibility requirements are established by title 9.1 Chapter 4 of the Code of Virginia. Funding of LODA benefits is provided by employers in one of two ways: (a) participation in the Line of Duty and Health Benefits Trust Fund (LODA Fund), administered by the Virginia Retirement System (VRS) or (b) self-funding by the employer or through an insurance company.

The Town has elected to provide LODA benefits through an insurance company. The obligation for the payment of benefits has been effectively transferred from the Town to VML. VML assumes all liability for the Town’s LODA claims that are approved by VRS. The pool purchases reinsurance to protect the pool from extreme claims costs.

The current-year OPEB expense/expenditure for the insured benefits is defined as the amount of premiums or other payments required for the insured benefits for the reporting period in accordance with the agreement with the insurance company for LODA and a change in liability to the insurer equal to the difference between amounts recognized as OPEB expense and amounts paid by the employer to the insurer. The Town’s LODA coverage is fully covered or “insured” through VACORP. This is built into the LODA coverage cost presented in the annual renewals. The Town’s LODA premium for the year ended June 30, 2018 was \$13,664.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

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**NOTE 14—CONTINGENT LIABILITIES:**

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At June 30, 2018 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 15—COMMITMENTS:**

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The Town had commitments at year-end related to two projects. Outstanding amounts are as follows:

|                        | <u>Contract<br/>Amount</u> |    | <u>Spent to<br/>Date</u> |    | <u>Balance of<br/>Contract</u> |
|------------------------|----------------------------|----|--------------------------|----|--------------------------------|
| Airport Pavement Study | \$ 24,941                  | \$ | 19,313                   | \$ | 5,628                          |
| Website project        | 10,000                     |    | 5,000                    |    | 5,000                          |
| Total                  | <u>34,941</u>              |    | <u>24,313</u>            |    | <u>10,628</u>                  |

**NOTE 16—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 17—INTERGOVERNMENTAL AGREEMENT:**

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In September 2007, the Town entered into a raw water storage basin agreement with the Town of Orange, Virginia. The agreement stipulates that the interest cost to Orange for the financing of the construction of the raw water storage basin will be borne by Gordonsville and Orange in proportion to the monthly amount each takes of the finished water produced by Orange. The agreement shall continue until payments are made for forty (40) years or until the bonds are paid off, whichever occurs first. The Town of Gordonsville made payments totaling \$11,903 during fiscal year 2018 pursuant to the agreement.

TOWN OF GORDONSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

**NOTE 18—RESTATEMENT OF NET POSITION:**

The Town implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* during the fiscal year ended June 30, 2018. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to postemployment benefits other than pensions (other postemployment benefits or OPEB). Note disclosure and required supplementary information requirements about OPEB are also addressed. The requirements of this Statement will improve accounting and financial reporting by state and local governments for OPEB. In addition, the Town implemented Governmental Accounting Standards Board Statement No. 85, *Omnibus 2017* during the fiscal year ended June 30, 2018. This Statement addresses practice issues identified during implementation and application of certain GASB statements for a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). The implementation of these Statements and the reclassification of cemetery activity as a private-purpose trust fund instead of an agency fund resulted in the following restatement of net position:

|                                                        | <u>Governmental<br/>Activities</u> | <u>Business-type<br/>Activities</u> | <u>Fiduciary<br/>Activities</u> |
|--------------------------------------------------------|------------------------------------|-------------------------------------|---------------------------------|
| Net position as reported at June 30, 2017              | \$ 3,296,643                       | \$ 3,410,407                        | \$ -                            |
| GASB 75 implementation for OPEB                        | (45,853)                           | (18,736)                            | -                               |
| Reclassification of cemetery activity from agency fund | <u>-</u>                           | <u>-</u>                            | <u>462,079</u>                  |
| Net position as restated at July 1, 2017               | <u>\$ 3,250,790</u>                | <u>\$ 3,391,671</u>                 | <u>\$ 462,079</u>               |

**Required Supplementary Information**

## General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2018

|                                                           | Budgeted Amounts    |                     | Actual<br>Amounts     | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|-----------------------------------------------------------|---------------------|---------------------|-----------------------|-----------------------------------------------------------|
|                                                           | Original            | Final               |                       |                                                           |
| <b>REVENUES</b>                                           |                     |                     |                       |                                                           |
| General property taxes                                    | \$ 185,800          | \$ 185,800          | \$ 212,013            | \$ 26,213                                                 |
| Other local taxes                                         | 609,200             | 613,380             | 631,553               | 18,173                                                    |
| Permits, privilege fees, and regulatory licenses          | 1,000               | 1,000               | 597                   | (403)                                                     |
| Fines and forfeitures                                     | 160,000             | 160,000             | 141,534               | (18,466)                                                  |
| Revenue from the use of money and property                | 421,800             | 421,800             | 444,141               | 22,341                                                    |
| Miscellaneous                                             | 23,400              | 23,400              | 54,887                | 31,487                                                    |
| Intergovernmental:                                        |                     |                     |                       |                                                           |
| Commonwealth                                              | 115,650             | 115,650             | 114,025               | (1,625)                                                   |
| Federal                                                   | -                   | 192,658             | 132,722               | (59,936)                                                  |
| Total revenues                                            | <u>\$ 1,516,850</u> | <u>\$ 1,713,688</u> | <u>\$ 1,731,472</u>   | <u>\$ 17,784</u>                                          |
| <b>EXPENDITURES</b>                                       |                     |                     |                       |                                                           |
| Current:                                                  |                     |                     |                       |                                                           |
| General government administration                         | \$ 398,790          | \$ 447,845          | \$ 390,879            | \$ 56,966                                                 |
| Public safety                                             | 541,320             | 541,320             | 562,474               | (21,154)                                                  |
| Public works                                              | 368,050             | 442,393             | 429,358               | 13,035                                                    |
| Health and welfare                                        | 4,100               | 4,100               | 5,098                 | (998)                                                     |
| Parks, recreation, and cultural                           | 53,000              | 59,946              | 52,420                | 7,526                                                     |
| Community development                                     | 1,300               | 1,300               | 1,300                 | -                                                         |
| Capital projects                                          | 200,541             | 490,964             | 231,437               | 259,527                                                   |
| Debt service:                                             |                     |                     |                       |                                                           |
| Principal retirement                                      | 62,100              | 62,100              | 1,377,315             | (1,315,215)                                               |
| Interest and other fiscal charges                         | 28,060              | 28,060              | 36,279                | (8,219)                                                   |
| Issuance costs                                            | -                   | -                   | 23,274                | (23,274)                                                  |
| Total expenditures                                        | <u>\$ 1,657,261</u> | <u>\$ 2,078,028</u> | <u>\$ 3,109,834</u>   | <u>\$ (1,031,806)</u>                                     |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ (140,411)</u> | <u>\$ (364,340)</u> | <u>\$ (1,378,362)</u> | <u>\$ (1,014,022)</u>                                     |
| <b>OTHER FINANCING SOURCES (USES)</b>                     |                     |                     |                       |                                                           |
| Transfers out                                             | \$ (18,620)         | \$ (23,620)         | \$ -                  | \$ 23,620                                                 |
| Issuance of bonds                                         | 167,686             | 167,686             | 1,376,250             | 1,208,564                                                 |
| Total other financing sources (uses)                      | <u>\$ 149,066</u>   | <u>\$ 144,066</u>   | <u>\$ 1,376,250</u>   | <u>\$ 1,232,184</u>                                       |
| Net change in fund balances                               | \$ 8,655            | \$ (220,274)        | \$ (2,112)            | \$ 218,162                                                |
| Fund balances - beginning                                 | (8,655)             | 197,197             | 769,822               | 572,625                                                   |
| Fund balances - ending                                    | <u>\$ -</u>         | <u>\$ (23,077)</u>  | <u>\$ 767,710</u>     | <u>\$ 790,787</u>                                         |



## Pool Fund

## Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the Year Ended June 30, 2018

|                                                           | <u>Budgeted Amounts</u> |                    | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget -<br/>Positive<br/>(Negative)</u> |
|-----------------------------------------------------------|-------------------------|--------------------|---------------------------|---------------------------------------------------------------------|
|                                                           | <u>Original</u>         | <u>Final</u>       |                           |                                                                     |
| <b>REVENUES</b>                                           |                         |                    |                           |                                                                     |
| Charges for services                                      | \$ 22,050               | \$ 22,050          | \$ 13,814                 | \$ (8,236)                                                          |
| Miscellaneous                                             | 4,700                   | 4,700              | 2,502                     | (2,198)                                                             |
| Total revenues                                            | <u>\$ 26,750</u>        | <u>\$ 26,750</u>   | <u>\$ 16,316</u>          | <u>\$ (10,434)</u>                                                  |
| <b>EXPENDITURES</b>                                       |                         |                    |                           |                                                                     |
| Current:                                                  |                         |                    |                           |                                                                     |
| Parks, recreation, and cultural                           | \$ 45,370               | \$ 58,370          | \$ 50,149                 | \$ 8,221                                                            |
| Total expenditures                                        | <u>\$ 45,370</u>        | <u>\$ 58,370</u>   | <u>\$ 50,149</u>          | <u>\$ 8,221</u>                                                     |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ (18,620)</u>      | <u>\$ (31,620)</u> | <u>\$ (33,833)</u>        | <u>\$ (2,213)</u>                                                   |
| <b>OTHER FINANCING SOURCES (USES)</b>                     |                         |                    |                           |                                                                     |
| Transfers in                                              | \$ 18,620               | \$ 31,620          | \$ -                      | \$ (31,620)                                                         |
| Total other financing sources (uses)                      | <u>\$ 18,620</u>        | <u>\$ 31,620</u>   | <u>\$ -</u>               | <u>\$ (31,620)</u>                                                  |
| Net change in fund balances                               | \$ -                    | \$ -               | \$ (33,833)               | \$ (33,833)                                                         |
| Fund balances - beginning                                 | -                       | -                  | 41,339                    | 41,339                                                              |
| Fund balances - ending                                    | <u>\$ -</u>             | <u>\$ -</u>        | <u>\$ 7,506</u>           | <u>\$ 7,506</u>                                                     |

Schedule of Changes in Net Pension Liability and Related Ratios  
Virginia Retirement System  
For the Years Ended June 30, 2015 through June 30, 2018

|                                                                                   | 2017                | 2016                | 2015                | 2014                |
|-----------------------------------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Total pension liability</b>                                                    |                     |                     |                     |                     |
| Service cost                                                                      | \$ 86,025           | \$ 88,347           | \$ 69,845           | \$ 73,034           |
| Interest                                                                          | 89,159              | 77,652              | 71,368              | 64,493              |
| Changes in benefit terms                                                          | -                   | 50,110              | -                   | -                   |
| Changes in assumptions                                                            | (13,270)            | -                   | -                   | -                   |
| Differences between expected and actual experience                                | (28,010)            | 25,841              | 197                 | -                   |
| Benefit payments, including refunds of employee contributions                     | (95,952)            | (59,202)            | (44,053)            | (34,594)            |
| <b>Net change in total pension liability</b>                                      | <b>\$ 37,952</b>    | <b>\$ 182,748</b>   | <b>\$ 97,357</b>    | <b>\$ 102,933</b>   |
| <b>Total pension liability - beginning</b>                                        | <b>1,321,670</b>    | <b>1,138,922</b>    | <b>1,041,565</b>    | <b>938,632</b>      |
| <b>Total pension liability - ending (a)</b>                                       | <b>\$ 1,359,622</b> | <b>\$ 1,321,670</b> | <b>\$ 1,138,922</b> | <b>\$ 1,041,565</b> |
| <b>Plan fiduciary net position</b>                                                |                     |                     |                     |                     |
| Contributions - employer                                                          | \$ 56,233           | \$ 70,801           | \$ 46,261           | \$ 54,881           |
| Contributions - employee                                                          | 31,436              | 34,569              | 32,323              | 30,927              |
| Net investment income                                                             | 140,641             | 22,237              | 48,238              | 135,910             |
| Benefit payments, including refunds of employee contributions                     | (95,952)            | (59,202)            | (44,053)            | (34,594)            |
| Administrative expense                                                            | (797)               | (643)               | (613)               | (682)               |
| Other                                                                             | (127)               | (9)                 | (9)                 | 7                   |
| <b>Net change in plan fiduciary net position</b>                                  | <b>\$ 131,434</b>   | <b>\$ 67,753</b>    | <b>\$ 82,147</b>    | <b>\$ 186,449</b>   |
| <b>Plan fiduciary net position - beginning</b>                                    | <b>1,170,070</b>    | <b>1,102,317</b>    | <b>1,020,170</b>    | <b>833,721</b>      |
| <b>Plan fiduciary net position - ending (b)</b>                                   | <b>\$ 1,301,504</b> | <b>\$ 1,170,070</b> | <b>\$ 1,102,317</b> | <b>\$ 1,020,170</b> |
| <b>Town's net pension liability - ending (a) - (b)</b>                            | <b>\$ 58,118</b>    | <b>\$ 151,600</b>   | <b>\$ 36,605</b>    | <b>\$ 21,395</b>    |
| <b>Plan fiduciary net position as a percentage of the total pension liability</b> | <b>95.73%</b>       | <b>88.53%</b>       | <b>96.79%</b>       | <b>97.95%</b>       |
| <b>Covered payroll</b>                                                            | <b>\$ 651,297</b>   | <b>\$ 698,070</b>   | <b>\$ 646,575</b>   | <b>\$ 620,712</b>   |
| <b>Town's net pension liability as a percentage of covered payroll</b>            | <b>8.92%</b>        | <b>21.72%</b>       | <b>5.66%</b>        | <b>3.45%</b>        |

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

Schedule of Employer Contributions - Pension Plan  
 For the Years Ended June 30, 2009 through June 30, 2018

| Date | Contractually<br>Required<br>Contribution<br>(1) | Contributions in<br>Relation to<br>Contractually<br>Required<br>Contribution<br>(2) | Contribution<br>Deficiency<br>(Excess)<br>(3) | Employer's<br>Covered<br>Payroll<br>(4) | Contributions<br>as a % of<br>Covered<br>Payroll<br>(5) |
|------|--------------------------------------------------|-------------------------------------------------------------------------------------|-----------------------------------------------|-----------------------------------------|---------------------------------------------------------|
| 2018 | \$ 57,560                                        | \$ 57,560                                                                           | \$ -                                          | \$ 669,139                              | 8.60%                                                   |
| 2017 | 56,233                                           | 56,233                                                                              | -                                             | 651,297                                 | 8.63%                                                   |
| 2016 | 70,801                                           | 70,801                                                                              | -                                             | 698,070                                 | 10.14%                                                  |
| 2015 | 49,440                                           | 49,440                                                                              | -                                             | 646,575                                 | 7.65%                                                   |
| 2014 | 54,436                                           | 54,436                                                                              | -                                             | 620,712                                 | 8.77%                                                   |
| 2013 | 54,330                                           | 54,330                                                                              | -                                             | 619,494                                 | 8.77%                                                   |
| 2012 | 54,272                                           | 54,272                                                                              | -                                             | 595,746                                 | 9.11%                                                   |
| 2011 | 50,486                                           | 50,486                                                                              | -                                             | 554,181                                 | 9.11%                                                   |
| 2010 | 47,193                                           | 47,193                                                                              | -                                             | 564,513                                 | 8.36%                                                   |
| 2009 | 47,895                                           | 47,895                                                                              | -                                             | 572,913                                 | 8.36%                                                   |

Notes to Required Supplementary Information - Pension Plan  
For the Year Ended June 30, 2018

**Changes of benefit terms** - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 is not material.

**Changes of assumptions** - The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest 10 - Non-Hazardous Duty:

|                                                                         |                                                                                                 |
|-------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020                           |
| Retirement Rates                                                        | Lowered rates at older ages and changed final retirement from 70 to 75                          |
| Withdrawal Rates                                                        | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates                                                        | Lowered rates                                                                                   |
| Salary Scale                                                            | No change                                                                                       |
| Line of Duty Disability                                                 | Increased rate from 14% to 20%                                                                  |

Largest 10 - Hazardous Duty:

|                                                                         |                                                                       |
|-------------------------------------------------------------------------|-----------------------------------------------------------------------|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 |
| Retirement Rates                                                        | Lowered rates at older ages                                           |
| Withdrawal Rates                                                        | Adjusted rates to better fit experience                               |
| Disability Rates                                                        | Increased rates                                                       |
| Salary Scale                                                            | No change                                                             |
| Line of Duty Disability                                                 | Increased rate from 60% to 70%                                        |

All Others (Non 10 Largest) - Non-Hazardous Duty:

|                                                                         |                                                                                                 |
|-------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020                           |
| Retirement Rates                                                        | Lowered rates at older ages and changed final retirement from 70 to 75                          |
| Withdrawal Rates                                                        | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates                                                        | Lowered rates                                                                                   |
| Salary Scale                                                            | No change                                                                                       |
| Line of Duty Disability                                                 | Increased rate from 14% to 15%                                                                  |

All Others (Non 10 Largest) - Hazardous Duty:

|                                                                         |                                                                                                 |
|-------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020                           |
| Retirement Rates                                                        | Increased age 50 rates, and lowered rates at older ages                                         |
| Withdrawal Rates                                                        | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates                                                        | Adjusted rates to better fit experience                                                         |
| Salary Scale                                                            | No change                                                                                       |
| Line of Duty Disability                                                 | Decreased rate from 60% to 45%                                                                  |

Schedule of Town's Share of Net OPEB Liability - Group Life Insurance Program  
 For the Year Ended June 30, 2018

| Date<br>(1) | Employer's<br>Proportion of the<br>Net GLI OPEB<br>Liability (Asset)<br>(2) | Employer's<br>Proportionate<br>Share of the<br>Net GLI OPEB<br>Liability (Asset)<br>(3) | Employer's<br>Covered<br>Payroll<br>(4) | Employer's<br>Proportionate Share<br>of the Net GLI OPEB<br>Liability (Asset)<br>as a Percentage of<br>Covered Payroll<br>(3)/(4)<br>(5) | Plan Fiduciary<br>Net Position as a<br>Percentage of Total<br>GLI OPEB Liability<br>(6) |
|-------------|-----------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|-----------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|
| 2017        | 0.00356% \$                                                                 | 53,589 \$                                                                               | 656,026                                 | 8.17%                                                                                                                                    | 48.86%                                                                                  |

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions - Group Life Insurance Program  
 For the Years Ended June 30, 2009 through June 30, 2018

| Date | Contributions in Relation to            |                                         |                                      | Employer's Covered Payroll (4) | Contributions as a % of Covered Payroll (5) |
|------|-----------------------------------------|-----------------------------------------|--------------------------------------|--------------------------------|---------------------------------------------|
|      | Contractually Required Contribution (1) | Contractually Required Contribution (2) | Contribution Deficiency (Excess) (3) |                                |                                             |
| 2018 | \$ 3,480                                | \$ 3,480                                | \$ -                                 | \$ 669,139                     | 0.52%                                       |
| 2017 | 3,411                                   | 3,411                                   | -                                    | 656,026                        | 0.52%                                       |
| 2016 | 3,351                                   | 3,351                                   | -                                    | 698,070                        | 0.48%                                       |
| 2015 | 3,104                                   | 3,104                                   | -                                    | 646,575                        | 0.48%                                       |
| 2014 | 2,979                                   | 2,979                                   | -                                    | 620,712                        | 0.48%                                       |
| 2013 | 2,974                                   | 2,974                                   | -                                    | 619,494                        | 0.48%                                       |
| 2012 | 1,668                                   | 1,668                                   | -                                    | 595,746                        | 0.28%                                       |
| 2011 | 1,552                                   | 1,552                                   | -                                    | 554,173                        | 0.28%                                       |
| 2010 | 1,524                                   | 1,524                                   | -                                    | 564,513                        | 0.27%                                       |
| 2009 | 1,547                                   | 1,547                                   | -                                    | 572,913                        | 0.27%                                       |

Notes to Required Supplementary Information - Group Life Insurance Program  
For the Year Ended June 30, 2018

**Changes of benefit terms** - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

**Changes of assumptions** - The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

**General State Employees**

|                                                                         |                                                                                                 |
|-------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020                           |
| Retirement Rates                                                        | Lowered rates at older ages and changed final retirement from 70 to 75                          |
| Withdrawal Rates                                                        | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates                                                        | Adjusted rates to better match experience                                                       |
| Salary Scale                                                            | No change                                                                                       |
| Line of Duty Disability                                                 | Increased rate from 14% to 25%                                                                  |

**Teachers**

|                                                                         |                                                                                                 |
|-------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020                           |
| Retirement Rates                                                        | Lowered rates at older ages and changed final retirement from 70 to 75                          |
| Withdrawal Rates                                                        | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates                                                        | Adjusted rates to better match experience                                                       |
| Salary Scale                                                            | No change                                                                                       |

**SPORS Employees**

|                                                                         |                                                                                                                                               |
|-------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience |
| Retirement Rates                                                        | Increased age 50 rates and lowered rates at older ages                                                                                        |
| Withdrawal Rates                                                        | Adjusted rates to better fit experience                                                                                                       |
| Disability Rates                                                        | Adjusted rates to better match experience                                                                                                     |
| Salary Scale                                                            | No change                                                                                                                                     |
| Line of Duty Disability                                                 | Increased rate from 60% to 85%                                                                                                                |

**VaLORS Employees**

|                                                                         |                                                                                                                                               |
|-------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience |
| Retirement Rates                                                        | Increased age 50 rates and lowered rates at older ages                                                                                        |
| Withdrawal Rates                                                        | Adjusted rates to better fit experience at each year age and service through 9 years of service                                               |
| Disability Rates                                                        | Adjusted rates to better fit experience                                                                                                       |
| Salary Scale                                                            | No change                                                                                                                                     |
| Line of Duty Disability                                                 | Decreased rate from 50% to 35%                                                                                                                |

Notes to Required Supplementary Information - Group Life Insurance Program  
For the Year Ended June 30, 2018 (Continued)

**JRS Employees**

|                                                                         |                                                                       |
|-------------------------------------------------------------------------|-----------------------------------------------------------------------|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 |
| Retirement Rates                                                        | Decreased rates at first retirement eligibility                       |
| Withdrawal Rates                                                        | No change                                                             |
| Disability Rates                                                        | Removed disability rates                                              |
| Salary Scale                                                            | No change                                                             |

**Largest Ten Locality Employers - General Employees**

|                                                                         |                                                                                        |
|-------------------------------------------------------------------------|----------------------------------------------------------------------------------------|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020                  |
| Retirement Rates                                                        | Lowered retirement rates at older ages and extended final retirement age from 70 to 75 |
| Withdrawal Rates                                                        | Adjusted termination rates to better fit experience at each age and service year       |
| Disability Rates                                                        | Lowered disability rates                                                               |
| Salary Scale                                                            | No change                                                                              |
| Line of Duty Disability                                                 | Increased rate from 14% to 20%                                                         |

**Non-Largest Ten Locality Employers - General Employees**

|                                                                         |                                                                                        |
|-------------------------------------------------------------------------|----------------------------------------------------------------------------------------|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020                  |
| Retirement Rates                                                        | Lowered retirement rates at older ages and extended final retirement age from 70 to 75 |
| Withdrawal Rates                                                        | Adjusted termination rates to better fit experience at each age and service year       |
| Disability Rates                                                        | Lowered disability rates                                                               |
| Salary Scale                                                            | No change                                                                              |
| Line of Duty Disability                                                 | Increased rate from 14% to 15%                                                         |

**Largest Ten Locality Employers - Hazardous Duty Employees**

|                                                                         |                                                                                  |
|-------------------------------------------------------------------------|----------------------------------------------------------------------------------|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020            |
| Retirement Rates                                                        | Lowered retirement rates at older ages                                           |
| Withdrawal Rates                                                        | Adjusted termination rates to better fit experience at each age and service year |
| Disability Rates                                                        | Increased disability rates                                                       |
| Salary Scale                                                            | No change                                                                        |
| Line of Duty Disability                                                 | Increased rate from 60% to 70%                                                   |

**Non-Largest Ten Locality Employers - Hazardous Duty Employees**

|                                                                         |                                                                                  |
|-------------------------------------------------------------------------|----------------------------------------------------------------------------------|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020            |
| Retirement Rates                                                        | Increased age 50 rates and lowered rates at older ages                           |
| Withdrawal Rates                                                        | Adjusted termination rates to better fit experience at each age and service year |
| Disability Rates                                                        | Adjusted rates to better match experience                                        |
| Salary Scale                                                            | No change                                                                        |
| Line of Duty Disability                                                 | Decreased rate from 60% to 45%                                                   |



**Other Supplementary Information**



## **Supporting Schedules**



Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2018

| Fund, Major and Minor Revenue Source                      | Original<br>Budget  | Final<br>Budget     | Actual              | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|-----------------------------------------------------------|---------------------|---------------------|---------------------|-----------------------------------------------------------|
| <b>General Fund:</b>                                      |                     |                     |                     |                                                           |
| Revenue from local sources:                               |                     |                     |                     |                                                           |
| General property taxes:                                   |                     |                     |                     |                                                           |
| Real property taxes                                       | \$ 113,000          | \$ 113,000          | \$ 130,647          | \$ 17,647                                                 |
| Real and personal public service<br>corporation taxes     | 4,000               | 4,000               | 4,540               | 540                                                       |
| Personal property taxes                                   | 61,500              | 61,500              | 57,120              | (4,380)                                                   |
| Mobile home taxes                                         | -                   | -                   | 109                 | 109                                                       |
| Machinery and tools taxes                                 | -                   | -                   | 3,884               | 3,884                                                     |
| Penalties                                                 | 3,500               | 3,500               | 5,213               | 1,713                                                     |
| Interest and other fees                                   | 3,800               | 3,800               | 10,500              | 6,700                                                     |
| Total general property taxes                              | <u>\$ 185,800</u>   | <u>\$ 185,800</u>   | <u>\$ 212,013</u>   | <u>\$ 26,213</u>                                          |
| Other local taxes:                                        |                     |                     |                     |                                                           |
| Local sales and use taxes                                 | \$ 85,000           | \$ 85,000           | \$ 87,106           | \$ 2,106                                                  |
| Consumers' utility taxes                                  | 30,300              | 30,300              | 31,320              | 1,020                                                     |
| Cigarette taxes                                           | 25,000              | 29,180              | 31,500              | 2,320                                                     |
| Business license taxes                                    | 96,500              | 96,500              | 100,848             | 4,348                                                     |
| Motor vehicle licenses                                    | 24,000              | 24,000              | 37,428              | 13,428                                                    |
| Bank stock taxes                                          | 8,400               | 8,400               | 12,620              | 4,220                                                     |
| Restaurant food taxes                                     | 340,000             | 340,000             | 330,731             | (9,269)                                                   |
| Total other local taxes                                   | <u>\$ 609,200</u>   | <u>\$ 613,380</u>   | <u>\$ 631,553</u>   | <u>\$ 18,173</u>                                          |
| Permits, privilege fees, and regulatory licenses:         |                     |                     |                     |                                                           |
| Permits and other licenses                                | \$ 1,000            | \$ 1,000            | \$ 597              | \$ (403)                                                  |
| Total permits, privilege fees, and<br>regulatory licenses | <u>\$ 1,000</u>     | <u>\$ 1,000</u>     | <u>\$ 597</u>       | <u>\$ (403)</u>                                           |
| Fines and forfeitures:                                    |                     |                     |                     |                                                           |
| Court fines and forfeitures                               | \$ 160,000          | \$ 160,000          | \$ 141,524          | \$ (18,476)                                               |
| Other fines                                               | -                   | -                   | 10                  | 10                                                        |
| Total fines and forfeitures                               | <u>\$ 160,000</u>   | <u>\$ 160,000</u>   | <u>\$ 141,534</u>   | <u>\$ (18,466)</u>                                        |
| Revenue from use of money and property:                   |                     |                     |                     |                                                           |
| Revenue from use of money                                 | \$ 7,500            | \$ 7,500            | \$ 23,964           | \$ 16,464                                                 |
| Revenue from use of property                              | 414,300             | 414,300             | 420,177             | 5,877                                                     |
| Total revenue from use of money<br>and property           | <u>\$ 421,800</u>   | <u>\$ 421,800</u>   | <u>\$ 444,141</u>   | <u>\$ 22,341</u>                                          |
| Miscellaneous:                                            |                     |                     |                     |                                                           |
| Miscellaneous                                             | \$ 23,400           | \$ 23,400           | \$ 54,887           | \$ 31,487                                                 |
| Total revenue from local sources                          | <u>\$ 1,401,200</u> | <u>\$ 1,405,380</u> | <u>\$ 1,484,725</u> | <u>\$ 79,345</u>                                          |

Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2018 (Continued)

| Fund, Major and Minor Revenue Source      | Original<br>Budget  | Final<br>Budget     | Actual              | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|-------------------------------------------|---------------------|---------------------|---------------------|-----------------------------------------------------------|
| <b>General Fund: (Continued)</b>          |                     |                     |                     |                                                           |
| Intergovernmental:                        |                     |                     |                     |                                                           |
| Revenue from the Commonwealth:            |                     |                     |                     |                                                           |
| Noncategorical aid:                       |                     |                     |                     |                                                           |
| Rolling stock taxes                       | \$ 1,000            | \$ 1,000            | \$ 8                | \$ (992)                                                  |
| Communication taxes                       | 28,500              | 28,500              | 27,848              | (652)                                                     |
| Personal property tax relief funds        | 33,700              | 33,700              | 33,719              | 19                                                        |
| Total noncategorical aid                  | <u>\$ 63,200</u>    | <u>\$ 63,200</u>    | <u>\$ 61,575</u>    | <u>\$ (1,625)</u>                                         |
| Categorical aid:                          |                     |                     |                     |                                                           |
| Other categorical aid:                    |                     |                     |                     |                                                           |
| 599 Funding                               | \$ 38,750           | \$ 38,750           | \$ 38,760           | \$ 10                                                     |
| Litter control grant                      | 3,700               | 3,700               | 3,690               | (10)                                                      |
| Fire programs fund                        | 10,000              | 10,000              | 10,000              | -                                                         |
| Total other categorical aid               | <u>\$ 52,450</u>    | <u>\$ 52,450</u>    | <u>\$ 52,450</u>    | <u>\$ -</u>                                               |
| Total revenue from the Commonwealth       | <u>\$ 115,650</u>   | <u>\$ 115,650</u>   | <u>\$ 114,025</u>   | <u>\$ (1,625)</u>                                         |
| Revenue from the federal government:      |                     |                     |                     |                                                           |
| Categorical aid:                          |                     |                     |                     |                                                           |
| TEA-21 Depot Grant                        | \$ -                | \$ -                | \$ 4,641            | \$ 4,641                                                  |
| TEA-21 Streetscape grant                  | -                   | 192,658             | 128,081             | (64,577)                                                  |
| Total categorical aid                     | <u>\$ -</u>         | <u>\$ 192,658</u>   | <u>\$ 132,722</u>   | <u>\$ (59,936)</u>                                        |
| Total revenue from the federal government | <u>\$ -</u>         | <u>\$ 192,658</u>   | <u>\$ 132,722</u>   | <u>\$ (59,936)</u>                                        |
| Total General Fund                        | <u>\$ 1,516,850</u> | <u>\$ 1,713,688</u> | <u>\$ 1,731,472</u> | <u>\$ 17,784</u>                                          |
| <b>Special Revenue Fund:</b>              |                     |                     |                     |                                                           |
| <b>Pool Fund:</b>                         |                     |                     |                     |                                                           |
| Revenue from local sources:               |                     |                     |                     |                                                           |
| Charges for services:                     |                     |                     |                     |                                                           |
| Charges for open swim                     | \$ 9,000            | \$ 9,000            | \$ 8,689            | \$ (311)                                                  |
| Charges for swim lessons                  | 4,000               | 4,000               | 1,277               | (2,723)                                                   |
| Charges for lifeguard certification       | -                   | -                   | 680                 | 680                                                       |
| Charges for concessions                   | 2,800               | 2,800               | 2,563               | (237)                                                     |
| Charges for private rentals               | 500                 | 500                 | 405                 | (95)                                                      |
| Charges for swim team                     | 5,750               | 5,750               | 200                 | (5,550)                                                   |
| Total charges for services                | <u>\$ 22,050</u>    | <u>\$ 22,050</u>    | <u>\$ 13,814</u>    | <u>\$ (8,236)</u>                                         |
| Miscellaneous:                            |                     |                     |                     |                                                           |
| Donations                                 | \$ 4,700            | \$ 4,700            | \$ 2,502            | \$ (2,198)                                                |
| Total miscellaneous                       | <u>\$ 4,700</u>     | <u>\$ 4,700</u>     | <u>\$ 2,502</u>     | <u>\$ (2,198)</u>                                         |
| Total revenue from local sources          | <u>\$ 26,750</u>    | <u>\$ 26,750</u>    | <u>\$ 16,316</u>    | <u>\$ (10,434)</u>                                        |
| Total Pool Fund                           | <u>\$ 26,750</u>    | <u>\$ 26,750</u>    | <u>\$ 16,316</u>    | <u>\$ (10,434)</u>                                        |
| Total Primary Government                  | <u>\$ 1,543,600</u> | <u>\$ 1,740,438</u> | <u>\$ 1,747,788</u> | <u>\$ 7,350</u>                                           |

Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2018

| Fund, Function, Activity and Elements                       | Original<br>Budget | Final<br>Budget   | Actual            | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|-------------------------------------------------------------|--------------------|-------------------|-------------------|-----------------------------------------------------------|
| <b>General Fund:</b>                                        |                    |                   |                   |                                                           |
| General government administration:                          |                    |                   |                   |                                                           |
| Legislative:                                                |                    |                   |                   |                                                           |
| Town Council                                                | \$ 18,320          | \$ 20,467         | \$ 18,468         | \$ 1,999                                                  |
| General and financial administration:                       |                    |                   |                   |                                                           |
| Administration                                              | \$ 226,530         | \$ 254,172        | \$ 224,322        | \$ 29,850                                                 |
| Town attorney                                               | 20,540             | 20,540            | 19,665            | 875                                                       |
| Treasurer                                                   | 133,400            | 152,666           | 128,424           | 24,242                                                    |
| Total general and financial administration                  | <u>\$ 380,470</u>  | <u>\$ 427,378</u> | <u>\$ 372,411</u> | <u>\$ 54,967</u>                                          |
| Total general government administration                     | <u>\$ 398,790</u>  | <u>\$ 447,845</u> | <u>\$ 390,879</u> | <u>\$ 56,966</u>                                          |
| Public safety:                                              |                    |                   |                   |                                                           |
| Law enforcement and traffic control:                        |                    |                   |                   |                                                           |
| Police department                                           | \$ 520,970         | \$ 520,970        | \$ 541,437        | \$ (20,467)                                               |
| Asset forfeiture                                            | -                  | -                 | 333               | (333)                                                     |
| Total law enforcement and traffic control                   | <u>\$ 520,970</u>  | <u>\$ 520,970</u> | <u>\$ 541,770</u> | <u>\$ (20,800)</u>                                        |
| Fire and rescue services:                                   |                    |                   |                   |                                                           |
| Volunteer fire department                                   | \$ 20,350          | \$ 20,350         | \$ 20,704         | \$ (354)                                                  |
| Total fire and rescue services                              | <u>\$ 20,350</u>   | <u>\$ 20,350</u>  | <u>\$ 20,704</u>  | <u>\$ (354)</u>                                           |
| Total public safety                                         | <u>\$ 541,320</u>  | <u>\$ 541,320</u> | <u>\$ 562,474</u> | <u>\$ (21,154)</u>                                        |
| Public works:                                               |                    |                   |                   |                                                           |
| Maintenance of highways, streets, bridges<br>and sidewalks: |                    |                   |                   |                                                           |
| Highways, streets, bridges and sidewalks                    | \$ 310,950         | \$ 362,741        | \$ 348,661        | \$ 14,080                                                 |
| Sanitation and waste removal:                               |                    |                   |                   |                                                           |
| Refuse collection                                           | \$ 50,000          | \$ 50,000         | \$ 50,775         | \$ (775)                                                  |
| Refuse disposal                                             | 3,200              | 2,053             | 2,053             | -                                                         |
| Litter control                                              | 3,900              | 6,700             | 6,665             | 35                                                        |
| Total sanitation and waste removal                          | <u>\$ 57,100</u>   | <u>\$ 58,753</u>  | <u>\$ 59,493</u>  | <u>\$ (740)</u>                                           |
| Maintenance of general buildings and grounds:               |                    |                   |                   |                                                           |
| Clerk of the Works                                          | \$ -               | \$ 20,899         | \$ 20,899         | \$ -                                                      |
| Rental property maintenance                                 | -                  | -                 | 305               | (305)                                                     |
| Total maintenance of general buildings and grounds          | <u>\$ -</u>        | <u>\$ 20,899</u>  | <u>\$ 21,204</u>  | <u>\$ (305)</u>                                           |
| Total public works                                          | <u>\$ 368,050</u>  | <u>\$ 442,393</u> | <u>\$ 429,358</u> | <u>\$ 13,035</u>                                          |
| Health and welfare:                                         |                    |                   |                   |                                                           |
| Welfare:                                                    |                    |                   |                   |                                                           |
| Property tax relief for the elderly<br>and handicapped      | \$ 2,400           | \$ 2,400          | \$ 3,398          | \$ (998)                                                  |
| 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>\$ 5,098</u>   | <u>\$ (998)</u>                                           |
| Total health and welfare                                    | <u>\$ 4,100</u>    | <u>\$ 4,100</u>   | <u>\$ 5,098</u>   | <u>\$ (998)</u>                                           |

Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2018 (Continued)

| Fund, Function, Activity and Elements | Original<br>Budget  | Final<br>Budget     | Actual              | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|---------------------------------------|---------------------|---------------------|---------------------|-----------------------------------------------------------|
| <b>General Fund: (Continued)</b>      |                     |                     |                     |                                                           |
| Parks, recreation, and cultural:      |                     |                     |                     |                                                           |
| Parks and recreation:                 |                     |                     |                     |                                                           |
| Gordonsville little league            | \$ 2,000            | \$ 2,000            | \$ 1,610            | \$ 390                                                    |
| 5K event                              | 3,100               | 3,100               | 1,642               | 1,458                                                     |
| Orange County parks and rec           | -                   | -                   | 600                 | (600)                                                     |
| Total parks and recreation            | <u>\$ 5,100</u>     | <u>\$ 5,100</u>     | <u>\$ 3,852</u>     | <u>\$ 1,248</u>                                           |
| Cultural enrichment:                  |                     |                     |                     |                                                           |
| Historic Gordonsville                 | \$ 2,250            | \$ 2,250            | \$ 2,250            | -                                                         |
| Visitor's Center                      | 43,350              | 50,296              | 42,040              | 8,256                                                     |
| The Journey through Hollowed Ground   | 500                 | 500                 | 500                 | -                                                         |
| Fried Chicken Festival                | 1,800               | 1,800               | 3,778               | (1,978)                                                   |
| Total cultural enrichment             | <u>\$ 47,900</u>    | <u>\$ 54,846</u>    | <u>\$ 48,568</u>    | <u>\$ 6,278</u>                                           |
| Total parks, recreation, and cultural | <u>\$ 53,000</u>    | <u>\$ 59,946</u>    | <u>\$ 52,420</u>    | <u>\$ 7,526</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                | \$ 7,355            | \$ 29,354           | \$ 5,814            | \$ 23,540                                                 |
| Residential rental properties         | -                   | 88,665              | 76,478              | 12,187                                                    |
| Public works facility                 | 167,686             | 119,522             | 92,137              | 27,385                                                    |
| Streetscape - Town                    | -                   | 43,985              | 6,283               | 37,702                                                    |
| Streetscape - VDOT                    | -                   | 175,938             | 19,812              | 156,126                                                   |
| Depot - Town                          | -                   | -                   | 398                 | (398)                                                     |
| Depot - VDOT                          | -                   | -                   | (3,298)             | 3,298                                                     |
| Public works vehicles and equipment   | 12,000              | 18,727              | 18,986              | (259)                                                     |
| Equipment purchase                    | 13,500              | 14,773              | 14,827              | (54)                                                      |
| Total capital projects                | <u>\$ 200,541</u>   | <u>\$ 490,964</u>   | <u>\$ 231,437</u>   | <u>\$ 259,527</u>                                         |
| Debt service:                         |                     |                     |                     |                                                           |
| Principal retirement                  | \$ 62,100           | \$ 62,100           | \$ 1,377,315        | \$ (1,315,215)                                            |
| Interest and other fiscal charges     | 28,060              | 28,060              | 36,279              | (8,219)                                                   |
| Issuance costs                        | -                   | -                   | 23,274              | (23,274)                                                  |
| Total debt service                    | <u>\$ 90,160</u>    | <u>\$ 90,160</u>    | <u>\$ 1,436,868</u> | <u>\$ (1,346,708)</u>                                     |
| Total General Fund                    | <u>\$ 1,657,261</u> | <u>\$ 2,078,028</u> | <u>\$ 3,109,834</u> | <u>\$ (1,031,806)</u>                                     |
| <b>Special Revenue Fund:</b>          |                     |                     |                     |                                                           |
| <b>Pool Fund:</b>                     |                     |                     |                     |                                                           |
| Parks and Recreation:                 |                     |                     |                     |                                                           |
| Swimming Pool                         | \$ 45,370           | \$ 58,370           | \$ 50,149           | \$ 8,221                                                  |
| Total Pool Fund                       | <u>\$ 45,370</u>    | <u>\$ 58,370</u>    | <u>\$ 50,149</u>    | <u>\$ 8,221</u>                                           |
| Total Primary Government              | <u>\$ 1,702,631</u> | <u>\$ 2,136,398</u> | <u>\$ 3,159,983</u> | <u>\$ (1,023,585)</u>                                     |



## **Compliance**



# 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, 2018, and the related notes to the financial statements, which collectively comprise Town of Gordonsville, Virginia's basic financial statements and have issued our report thereon dated January 7, 2019.

### 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, Farver, Cox Associates*

Charlottesville, Virginia  
January 7, 2019