

TOWN OF GORDONSVILLE, VIRGINIA FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2021

Annual Financial Report For the Year Ended June 30, 2021

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Town Council

Robert K. Coiner, Mayor

Emily Winkey, Vice-Mayor

James L. Bradley

Ronald E. Brooks, III

Elizabeth Samra

Officials

Deborah S. Kendall, Town Manager Angela Scolforo, Town Attorney Dawn Rigsby, Town Treasurer



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Town of Gordonsville, Virginia, as of and for the year ended June 30, 2021, 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, 2021, 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 Principle

As described in Note 18 to the financial statements, in 2021, Town of Gordonsville, Virginia adopted new accounting guidance, GASB Statement No. 84, *Fiduciary Activities*. 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 60-61 and 62-68 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic 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 February 10, 2022, 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.

Robuson Faren Cox Associates

Charlottesville, Virginia February 10, 2022 This page intentionally left blank

Basic Financial Statements

Government-wide Financial Statements

Statement of Net Position June 30, 2021

| | | Primary Government | | | |
|--|----|----------------------------|-----------------------------|------------|--|
| | | Governmental Activities | Business-type Activities | Total | |
| ASSETS | | | | | |
| Cash and cash equivalents | \$ | 1,185,285 \$ | 2,092,300 \$ | 3,277,585 | |
| Receivables, net of allowance for uncollectibles: | | | | | |
| Taxes receivable | | 97,643 | - | 97,643 | |
| Accounts receivable | | 55,470 | 159,338 | 214,808 | |
| Due from other governmental units | | 105,047 | 11,398 | 116,445 | |
| Prepaid items | | 13,536 | 6,074 | 19,610 | |
| Restricted assets: | | | | | |
| Cash held for customer deposits | | 9,340 | 37,892 | 47,232 | |
| Cash held for pool renovations | | 69,484 | - | 69,484 | |
| Capital assets, net of accumulated depreciation: | | | | | |
| Land | | 554,744 | 206,526 | 761,270 | |
| Construction in progress | | 53,099 | 290,944 | 344,043 | |
| Land improvements | | 29,251 | - | 29,251 | |
| Buildings and improvements | | 890,695 | 709,083 | 1,599,778 | |
| Infrastructure | | 2,744,136 | 1,192,942 | 3,937,078 | |
| Machinery, equipment and vehicles | | 75,075 | 58,460 | 133,535 | |
| Total assets | \$ | 5,882,805 \$ | 4,764,957 \$ | 10,647,762 | |
| DEFERRED OUTLFOWS OF RESOURCES | | | | | |
| Pension related items | \$ | 162,098 \$ | 46,968 \$ | 209,066 | |
| OPEB related items | | 9,947 | 3,052 | 12,999 | |
| Total deferred outflows of resources | \$ | 172,045 \$ | 50,020 \$ | 222,065 | |
| LIABILITIES | | | | | |
| Accounts payable | \$ | 39,045 \$ | 37,934 \$ | 76,979 | |
| Contracts payable | | - | 10,014 | 10,014 | |
| Accrued liabilities | | 66,344 | 21,778 | 88,122 | |
| Customers' deposits payable from restricted assets | | 9,340 | 37,892 | 47,232 | |
| Accrued interest payable | | 18,385 | 4,654 | 23,039 | |
| Unearned revenue | | 1,157,768 | - | 1,157,768 | |
| Long-term liabilities: | | 452 500 | (2)(07 | 244 205 | |
| Due within one year | | 152,598 | 63,607 | 216,205 | |
| Due in more than one year | ÷. | 1,433,925 | 340,282 | 1,774,207 | |
| Total liabilities | Ş | 2,877,405 \$ | 516,161 \$ | 3,393,566 | |
| DEFERRED INFLOWS OF RESOURCES | ć | 74 950 6 | ć | 76,859 | |
| Deferred revenue - property taxes | \$ | 76,859 \$ | - \$ | | |
| Pension related items | | 3,883 | 2,715 | 6,598 | |
| OPEB related items | ÷ | 4,879 | 1,451 | 6,330 | |
| Total deferred inflows of resources | Ş | 85,621 \$ | 4,166 \$ | 89,787 | |
| NET POSITION Net investment in capital assets | \$ | 3,101,573 \$ | 2,124,405 \$ | 5,225,978 | |
| Restricted: | ç | ς, ενείσι, σ | 2,124,403 2 | J,22J,770 | |
| Pool improvements and playground equipment | | 74,484 | - | 74,484 | |
| Unrestricted (deficit) | | (84,233) | 2,170,245 | 2,086,012 | |
| Total net position | \$ | 3,091,824 \$ | 4,294,650 \$ | 7,386,474 | |

Statement of Activities For the Year Ended June 30, 2021

| | | | | Program Revenues | | | | | |
|-----------------------------------|----|-----------|----|-------------------------|----|--|----|--|--|
| Functions/Programs | | Expenses | | Charges for Services | | Operating Grants and Contributions | | Capital Grants and Contributions | |
| | | Expenses | | Jervices | - | contributions | | contributions | |
| PRIMARY GOVERNMENT: | | | | | | | | | |
| Governmental activities: | | | | | | | | | |
| General government administration | \$ | 747,431 | \$ | 1,776 | \$ | 13,162 | \$ | - | |
| Public safety | | 649,198 | | 114,774 | | 168,738 | | 20,600 | |
| Public works | | 713,755 | | - | | 20,007 | | - | |
| Health and welfare | | 22,363 | | - | | 18,000 | | - | |
| Parks, recreation, and cultural | | 297,991 | | - | | 2,379 | | 260,718 | |
| Community development | | 11,200 | | - | | 10,000 | | - | |
| Interest on long-term debt | | 43,839 | | - | | - | | - | |
| Total governmental activities | \$ | 2,485,777 | \$ | 116,550 | \$ | 232,286 | \$ | 281,318 | |
| Business-type activities: | | | | | | | | | |
| Water and Sewer Fund | \$ | 1,370,678 | \$ | 1,334,894 | \$ | - | \$ | 15,437 | |
| Airport Fund | | 49,970 | | 41,370 | | 8,648 | | 62,403 | |
| Total business-type activities | \$ | 1,420,648 | \$ | 1,376,264 | \$ | 8,648 | \$ | 77,840 | |
| Total primary government | \$ | 3,906,425 | \$ | 1,492,814 | \$ | 240,934 | \$ | 359,158 | |

- General property taxes Local sales and use taxes Cigarette 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
- Net position ending

Exhibit 2

| | Net (Expense) Revenue and | | | | | | |
|----------|----------------------------|--------|-----------------------------|-----|-------------|--|--|
| | | | nges in Net Posi | | | | |
| | | Pr | imary Governme | ent | | | |
| | Governmental Activities | | Business-type Activities | | Total | | |
| | Activities | - | ACTIVITIES | • | TOLAI | | |
| | | | | | | | |
| | | | | | | | |
| \$ | (732,493) | | | \$ | (732,493) | | |
| | (345,086) | | | • | (345,086) | | |
| | (693,748) | | | | (693,748) | | |
| | (4,363) | | | | (4,363) | | |
| | (34,894) | | | | (34,894) | | |
| | (1,200) | | | | (1,200) | | |
| | (43,839) | | | | (43,839) | | |
| \$ | (1,855,623) | | | \$ | (1,855,623) | | |
| | | | | | | | |
| | | | | | | | |
| | | \$ | (20,347) | \$ | (20,347) | | |
| | | | 62,451 | | 62,451 | | |
| <u>.</u> | (1.055.(00)) | \$. | 42,104 | | 42,104 | | |
| \$ | (1,855,623) | ۶ : | 42,104 | Ş | (1,813,519) | | |
| | | | | | | | |
| \$ | 267,957 | ċ | | \$ | 267,957 | | |
| Ļ | 116,472 | Ļ | - | Ļ | 116,472 | | |
| | 48,000 | | - | | 48,000 | | |
| | 31,913 | | - | | 31,913 | | |
| | 120,078 | | - | | 120,078 | | |
| | 353,065 | | - | | 353,065 | | |
| | 83,364 | | - | | 83,364 | | |
| | 526,371 | | 82,562 | | 608,933 | | |
| | 47,365 | | - | | 47,365 | | |
| | 73,830 | | - | | 73,830 | | |
| \$ | 1,668,415 | \$ | 82,562 | \$ | 1,750,977 | | |
| \$ | (187,208) | \$ | 124,666 | \$ | (62,542) | | |
| | 3,279,032 | | 4,169,984 | _ | 7,449,016 | | |
| \$ | 3,091,824 | \$ | 4,294,650 | \$ | 7,386,474 | | |

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Fund Financial Statements

Balance Sheet Governmental Funds June 30, 2021

| | _ | General Fund | | Pool Fund | Total |
|---|-----------------|-----------------|---------------|--------------|-----------|
| ASSETS | ÷ | | ÷ | 7 72 4 6 | 4 405 205 |
| Cash and cash equivalents | \$ | 1,177,551 | Ş | 7,734 \$ | 1,185,285 |
| Receivables, net of allowance for uncollectibles: Taxes receivable | | 97,643 | | | 97,643 |
| Accounts receivable | | 55,470 | | | 55,470 |
| Due from other governmental units | | 105,047 | | - | 105,047 |
| Prepaid items | | 13,536 | | - | 13,536 |
| Restricted assets: | | 13,330 | | | 13,330 |
| Cash held for customer deposits | | 9,340 | | - | 9,340 |
| Cash held for pool renovations | | - | | 69,484 | 69,484 |
| Total assets | ş- | 1,458,587 | ş | 77,218 \$ | 1,535,805 |
| | = | | | | |
| LIABILITIES | | | | | |
| Accounts payable | \$ | 38,342 | Ş | 703 \$ | 39,045 |
| Accrued liabilities | | 66,234 | | 110 | 66,344 |
| Customers' deposits Unearned revenue | | 9,340 | | - | 9,340 |
| Total liabilities | \$ [_] | 1,157,768 | . – | 813 \$ | 1,157,768 |
| Total liabilities | _ د | 1,271,004 | ۔ | <u>د داه</u> | 1,272,497 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable revenue - property taxes | \$ | 100,553 | \$ | - \$ | 100,553 |
| FUND BALANCES | | | | | |
| Nonspendable: | | | | | |
| Prepaids | \$ | 13,536 | \$ | - \$ | 13,536 |
| Restricted: | | | | | |
| Pool capital donations | | - | | 69,484 | 69,484 |
| Verling Park playground equipment | | 5,000 | | - | 5,000 |
| Committed: Freight Depot | | 39,611 | | _ | 39,611 |
| Assigned: | | 59,011 | | - | 57,011 |
| Directional Signage | | 23,828 | | - | 23,828 |
| Pool | | | | 6,921 | 6,921 |
| Other - equipment and capital | | 20,140 | | - | 20,140 |
| Unassigned (deficit) | | (15,765) | | - | (15,765) |
| Total fund balances | \$ | 86,350 | \$ | 76,405 \$ | 162,755 |
| Total liabilities, deferred inflows of resources, | ~ | 4 450 507 | <u>ر</u> | 77 240 6 | 4 535 005 |
| and fund balances | \$_ | 1,458,587 | <u>۽</u> = | 77,218 \$ | 1,535,805 |

Reconciliation of the Balance Sheet of Governmental Funds To the Statement of Net Position June 30, 2021

| June 30, 2021 | | | |
|--|----|----------------|-------------|
| Amounts reported for governmental activities in the statement of net position are different because: | | | |
| Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds | | \$ | 162,755 |
| 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 | \$ | 554,744 | |
| Construction in Progress | | 53,099 | |
| Land improvements | | 29,251 | |
| Buildings and improvements | | 890,695 | |
| Infrastructure | | 2,744,136 | |
| Machinery, equipment and vehicles | _ | 75,075 | 4,347,000 |
| 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 | | | 23,694 |
| Deferred outflows of resources are not available to pay for current-period expenditures and, | | | |
| therefore, are not reported in the funds. | | | |
| Pension related items | \$ | 162,098 | |
| OPEB related items | _ | 9,947 | 172,045 |
| Long-term liabilities, including bonds payable, are not due and payable in the | | | |
| current period and, therefore, are not reported in the funds. | | | |
| Bonds | \$ | (1,230,487) | |
| Settlement agreement | | (47,500) | |
| Capital leases | | (14,940) | |
| Compensated absences | | (38,824) | |
| Net pension liability | | (210,790) | |
| Net OPEB liability | | (43,982) | |
| Accrued interest payable | - | (18,385) | (1,604,908) |
| Deferred inflows of resources are not due and payable in the current period and, | | | |
| therefore, are not reported in the funds. | | | |
| Pension related items | \$ | (3,883) | |
| OPEB related items | _ | (4,879) | (8,762) |
| Net position of governmental activities | | s ⁻ | 3,091,824 |
| | | | |

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2021

| REVENUES | _ | General Fund | | Pool Fund | | Total |
|---|-----|--------------------|----|--------------|-----|--------------------|
| | \$ | 760 444 | ċ | | \$ | 769 111 |
| General property taxes Other local taxes | Ş | 268,444 752,892 | Ş | - | Ş | 268,444 752,892 |
| | | 1,776 | | - | | 1,776 |
| Permits, privilege fees, and regulatory licenses Fines and forfeitures | | 114,774 | | - | | 114,774 |
| | | | | - | | |
| Revenue from the use of money and property Miscellaneous | | 526,371 52,739 | | - | | 526,371 |
| | | , | | - | | 52,739 |
| Recovered costs Intergovernmental: | | 5,650 | | - | | 5,650 |
| Commonwealth | | 138,953 | | - | | 138,953 |
| Federal | | 443,107 | | - | | 443,107 |
| Total revenues | \$ | 2,304,706 | \$ | - | \$ | 2,304,706 |
| EXPENDITURES | | | | | | |
| Current: | ÷ | (27 742 | ÷ | | ÷ | |
| General government administration | \$ | 637,713 | Ş | - | \$ | 637,713 |
| Public safety | | 608,594 | | - | | 608,594 |
| Public works | | 513,007 | | - | | 513,007 |
| Health and welfare | | 22,363 | | - | | 22,363 |
| Parks, recreation, and cultural | | 46,306 | | 5,314 | | 51,620 |
| Community development | | 11,200 | | - | | 11,200 |
| Capital projects Debt service: | | 490,781 | | - | | 490,781 |
| Principal retirement | | 138,466 | | - | | 138,466 |
| Interest and other fiscal charges | | 48,801 | | - | | 48,801 |
| Total expenditures | \$_ | 2,517,231 | \$ | 5,314 | \$_ | 2,522,545 |
| Excess (deficiency) of revenues over | | | | | | |
| (under) expenditures | \$_ | (212,525) | \$ | (5,314) | \$ | (217,839) |
| Net change in fund balances | \$ | (212,525) | \$ | (5,314) | \$ | (217,839) |
| Fund balances - beginning | _ | 298,875 | | 81,719 | | 380,594 |
| Fund balances - ending | \$ | 86,350 | \$ | 76,405 | \$ | 162,755 |

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, 2021

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

| Net change in fund balances - total governmental funds | | \$ | (217,839) |
|---|-----------|---------------------|-----------|
| Governmental funds report capital outlays as expenditures. However, statement of activities the cost of those assets is allocated over their estimat lives and reported as depreciation expense. This is the amount by which th outlays exceeded depreciation or vice versa in the current period. | ed useful | | |
| Capital asset additions Depreciation | \$ | 81,675 (163,973) | (82,298) |

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.

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.

| Settlement agreement annual payment | \$ | 9,500 | |
|-------------------------------------|----|--------------|---|
| Payment of principal | 12 | 28,967 | |
| Amortization of premium on issuance | | 3,316 141,78 | 3 |

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 | \$ 8,551 | |
|---|-------------|-----------|
| Change in pension related items | (36,931) | |
| Change in OPEB related items | (1,633) | |
| Accrued interest payable | 1,646 | (28,367) |
| Change in net position of governmental activities | \$ | (187,208) |

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

(487)

Statement of Net Position Proprietary Funds June 30, 2021

| | - | En | | | |
|--|----------|-------------------------|-----------------|---------------|--|
| | | Water and Sewer Fund | Airport Fund | Total | |
| ASSETS | • | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ | 2,036,628 \$ | 55,672 \$ | 2,092,300 | |
| Accounts receivable, net of allowance for uncollectibles | | 159,338 | - | 159,338 | |
| Due from other governmental units | | - | 11,398 | 11,398 | |
| Prepaid expenses | | 6,074 | | 6,074 | |
| Total current assets | Ş. | 2,202,040 \$ | 67,070 \$ | 2,269,110 | |
| Noncurrent assets: | | | | | |
| Restricted assets: | | | | | |
| Cash held for customer deposits | \$ | 37,892 \$ | - \$ | 37,892 | |
| Total restricted assets | Ş | 37,892 \$ | - \$ | 37,892 | |
| Capital assets: | | | | | |
| Land | \$ | 204,978 \$ | 1,548 \$ | 206,526 | |
| Construction in progress | | 56,405 | 234,539 | 290,944 | |
| Buildings and improvements, net of accumulated depreciation | | 709,083 | - | 709,083 | |
| Infrastructure, net of accumulated depreciation | | 1,087,244 | 105,698 | 1,192,942 | |
| Machinery, equipment, and vehicles net of accumulated depreciation | | 58,460 | - | 58,460 | |
| Total capital assets | Ş. | 2,116,170 \$ | 341,785 \$ | 2,457,955 | |
| Total noncurrent assets | <u>ې</u> | 2,154,062 \$ | 341,785 \$ | 2,495,847 | |
| Total assets | ۶. - | 4,356,102 \$ | 408,855 \$ | 4,764,957 | |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Pension related items | \$ | 46,968 \$ | - \$ | 46,968 | |
| OPEB related items | Ŧ | 3,052 | - | 3,052 | |
| Total deferred outflows of resources | \$. | 50,020 \$ | - s | 50,020 | |
| | • | , | · _ | , | |
| | | | | | |
| Current liabilities: | ÷ | 27 02 4 Ć | ć | 27 02 4 | |
| Accounts payable | \$ | 37,934 \$ | - \$ | 37,934 | |
| Contracts payable | | - | 10,014 | 10,014 | |
| Accrued liabilities | | 21,778 | - | 21,778 | |
| Customers' deposits payable from restricted assets | | 37,892 | - | 37,892 | |
| Accrued interest payable | | 4,654 | - | 4,654 | |
| Compensated absences - current portion | | 451 | - | 451 63,156 | |
| Bonds and notes payable - current portion Total current liabilities | ċ | 63,156 | - 10.014 c | 175,879 | |
| | ې | 165,865 \$ | 10,014 \$ | 175,679 | |
| Noncurrent liabilities: | | | | | |
| Compensated absences - net of current portion | Ş | 4,056 \$ | - \$ | 4,056 | |
| Bonds and notes payable - net of current portion | | 260,380 | - | 260,380 | |
| Net pension liability | | 62,753 | - | 62,753 | |
| Net OPEB liability | _ | 13,093 | | 13,093 | |
| Total noncurrent liabilities | \$ | 340,282 \$ | - \$ | 340,282 | |
| Total liabilities | \$ | 506,147 \$ | 10,014 \$ | 516,161 | |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Pension related items | \$ | 2,715 \$ | - \$ | 2,715 | |
| OPEB related items | Ŷ | 1,451 | - | 1,451 | |
| Total deferred inflows of resources | s | 4,166 \$ | - s | 4,166 | |
| | · · | , ioo y | ۔ ب ب | -,100 | |
| NET POSITION | | | | | |
| Net investment in capital assets | \$ | 1,792,634 \$ | 331,771 \$ | 2,124,405 | |
| Unrestricted | | 2,103,175 | 67,070 | 2,170,245 | |
| Total net position | | 3,895,809 \$ | 398,841 \$ | 4,294,650 | |

Statement of Revenues, Expenses and Changes in Net Position Proprietary Funds For the Year Ended June 30, 2021

| | _ | Enterprise Funds | | | | |
|--|----------------|-------------------------|----------------|-----------------|-------------|-----------|
| | - | Water and Sewer Fund | | Airport Fund | | Total |
| OPERATING REVENUES | | | | | | |
| Charges for services: | | | | | | |
| Water revenues | \$ | 931,331 | \$ | - | \$ | 931,331 |
| Sewer revenues | | 390,347 | | - | | 390,347 |
| Delinquent fees | | 8,426 | | - | | 8,426 |
| Cut on and cut off fees | | 4,750 | | - | | 4,750 |
| Hangar rentals | | - | | 41,370 | | 41,370 |
| Miscellaneous | | 40 | | - | . — | 40 |
| Total operating revenues | \$ | 1,334,894 | Ş_ | 41,370 | \$ <u> </u> | 1,376,264 |
| OPERATING EXPENSES | | | | | | |
| Water and water tests | \$ | 513,392 | \$ | - | \$ | 513,392 |
| Sewer | | 258,120 | | - | | 258,120 |
| Salaries, wages, and benefits | | 272,183 | | - | | 272,183 |
| Repairs and maintenance | | 87,931 | | 35,601 | | 123,532 |
| Materials and supplies | | 25,820 | | - | | 25,820 |
| Professional services | | 22,173 | | 5,946 | | 28,119 |
| Telephone and utilities | | 9,885 | | 2,854 | | 12,739 |
| Vehicle expenses | | 20,640 | | - | | 20,640 |
| Other operating expenses | | 21,374 | | 1,319 | | 22,693 |
| Depreciation | ~ - | 128,377 | · | 4,250 | ~ — | 132,627 |
| Total operating expenses | ې_ - | 1,359,895 | . ^ې | 49,970 | ۶ <u> </u> | 1,409,865 |
| Operating income (loss) | \$_ | (25,001) | \$ | (8,600) | \$ | (33,601) |
| NONOPERATING REVENUES (EXPENSES) | | | | | | |
| Intergovernmental revenue | \$ | - | \$ | 8,648 | \$ | 8,648 |
| Use of property | | 82,562 | | - | | 82,562 |
| Interest expense | | (10,783) | | - | | (10,783) |
| Total nonoperating revenues (expenses) | \$ | 71,779 | \$ | 8,648 | \$ | 80,427 |
| Income before capital contributions | \$ | 46,778 | \$ | 48 | \$ | 46,826 |
| Capital contributions | | 15,437 | | 62,403 | | 77,840 |
| Change in net position | \$ | 62,215 | Ş | 62,451 | Ş | 124,666 |
| Total net position - beginning | | 3,833,594 | | 336,390 | | 4,169,984 |
| Total net position - ending | ć - | 3,895,809 | · | 398,841 | s_ | 4,294,650 |

Statement of Cash Flows Proprietary Funds For the Year Ended June 30, 2021

| | _ | Enterprise Funds | | |
|--|-----------|--|-------------------------------------|---|
| | | Water and Sewer Fund | Airport Fund | Total |
| CASH FLOWS FROM OPERATING ACTIVITIES Receipts from customers and users Payments to suppliers Payments to employees Net cash provided by (used for) operating activities | \$ \$_ | 1,319,095 \$ (941,576) (255,915) 121,604 \$ | 42,562 \$ (48,905) (6,343) \$ | 1,361,657 (990,481) (255,915) 115,261 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES Use of property Net cash provided by (used for) noncapital financing activities | \$\$ | 82,562 \$ 82,562 \$ | - \$ 8,648 \$ | 82,562 91,210 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES Additions to CIP and machinery and equipment Principal payments on bonds Contributions in aid of construction Interest payments | \$ | (51,366) \$ (56,203) 15,437 (14,294) | (70,396) \$ - 55,344 - | (121,762) (56,203) 70,781 (14,294) |
| Net cash provided by (used for) capital and related financing activities | \$ | (106,426) \$ | (15,052) \$ | (121,478) |
| Net increase (decrease) in cash and cash equivalents | \$ | 97,740 \$ | (12,747) \$ | 84,993 |
| Cash and cash equivalents - beginning (including restricted) Cash and cash equivalents - ending (including restricted) | \$ | 1,976,780 2,074,520 \$ | 68,419 55,672 \$ | 2,045,199 2,130,192 |
| Reconciliation of operating income (loss) to net cash provided by (used for) operating activities: Operating income (loss) Adjustments to reconcile operating income (loss) to net cash | \$ | (25,001) \$ | (8,600) \$ | (33,601) |
| provided by (used for) operating activities: Depreciation expense (Increase) decrease in: | \$ | 128,377 \$ | 4,250 \$ | 132,627 |
| Accounts receivable Intergovernmental receivables Prepaid expenses Pension related deferred outflows OPEB related deferred outflows | | (15,749) - (4,634) (19,060) (306) | 1,192 - - - | (15,749) 1,192 (4,634) (19,060) (306) |
| Increase (decrease) in: Customer deposits Accounts payable Accrued liabilities Compensated absences Net pension liability Not OPER liability | | (50) 22,393 9,492 (536) 39,087 757 | (3,185) - - - | (50) 19,208 9,492 (536) 39,087 757 |
| Net OPEB liability Pension related deferred inflows OPEB related deferred inflows Total adjustments Net cash provided by (used for) operating activities | \$ | (8,380) (4,786) 146,605 \$ 121,604 \$ | <u>2,257</u> \$ (6,343) \$ | (8,380) (4,786) 148,862 115,261 |

Statement of Fiduciary Net Position Fiduciary Fund June 30, 2021

| | - | Private-Purpose Trust Fund Maplewood Cemetery | |
|--------------------------------------|----|--|--|
| ASSETS | | | |
| Cash and cash equivalents | \$ | 438,232 | |
| Other receivables | | 3,737 | |
| Investments, at fair value: | | | |
| Corporate stock | _ | 8,641 | |
| Total assets | \$ | 450,610 | |
| LIABILITIES | | | |
| Accounts payable | \$ | 26 | |
| Total liabilities | \$ | 26 | |
| NET POSITION Restricted: | = | | |
| Held in trust for Maplewood Cemetery | \$ | 450,584 | |
| | = | | |

Statement of Change in Fiduciary Net Position Fiduciary Fund For the Year Ended June 30, 2021

| | Private-Purpose Trust Fund Maplewood Cemetery | | |
|---------------------------------------|--|--|--|
| ADDITIONS | | | |
| Contributions: | | | |
| Sale of cemetery lots | \$ 12,200 | | |
| Burial permits | 2,800 | | |
| Fees | 425 | | |
| Donations | 3,480 | | |
| Total contributions | \$ 18,905 | | |
| Investment earnings: | | | |
| Interest | \$ 956 | | |
| Gain (loss) on investments | (5,588) | | |
| Total investment earnings | \$ (4,632) | | |
| Total additions | \$ 14,273 | | |
| DEDUCTIONS | | | |
| Professional and contractual services | \$ 24,678 | | |
| Other | 1,254 | | |
| Confederate | 799 | | |
| Total deductions | \$ 26,731 | | |
| Change in net position | \$ (12,458) | | |
| Net position - beginning | 463,042 | | |
| Net position - ending | \$ 450,584 | | |

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Narrative Profile

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

The Town is governed under the Council-Manager form of government. The Town government, with approximately 15 full-time employees, engages in a wide range of municipal services including: police protection, refuse collection, recycling, street and sidewalk maintenance, streetlights, 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. <u>Description of Government-Wide Financial Statements</u>

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. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support.

B. 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.

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

C. <u>Basis of Presentation - Government-Wide Financial Statements</u>

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the County of Buckingham, Virginia's enterprise funds. 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.

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 Town's water and sewer functions and various other functions of the Town. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the Town of Gordonsville, Virginia's funds, including its fiduciary funds. Separate statements for each fund category - governmental, proprietary, and fiduciary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

During the course of operations the Town has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. Further, certain activity occurs during the year involving transfers of resources between funds reported at gross amounts as transfers in/out. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in governmental activities is included as internal balances in the business-type activities column. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included in governmental activities are eliminated so that only the net amount is included in governmental activities are eliminated so that only the net amount is included in governmental activities are eliminated so that only the net amount is included in governmental activities column. Similarly, balances between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the governmental activities are eliminated so that only the net amount is included in business-type activities are eliminated so that only the net amount is included in business-type activities are eliminated so that only the net amount is included in business-type activities are eliminated so that only the net amount is included in business-type activities are eliminated so that only the net amount is included in business-type

E. <u>Measurement Focus</u>, Basis of Accounting, and Financial Statement Presentation

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.

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

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

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 when they have been earned and 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 principal and interest expenditures on general long-term debt as well as expenditures related to compensated absences, claims and judgments, postemployment benefits, and environmental obligations are recognized later based on specific accounting rules applicable to each, generally when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the Town.

The following is a brief description of the specific funds used by the Town in FY 2021.

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.

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

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

- 1. Governmental Funds: (Continued)
 - 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 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 Custodial Funds):

Fiduciary Funds (Trust and Custodial Funds) account for assets held by the Town in a trustee capacity or as custodian for individuals, private organizations, other governmental units, or other funds. These funds include Private-Purpose Trust Funds. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The Private-Purpose Trust Fund (Maplewood Cemetery) uses the accrual basis of accounting for reporting its assets and liabilities.

F. Program Revenues

Amounts reported as program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided or fines imposed by a given function or segment, and (2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

G. Proprietary Funds Operating and Nonoperating Revenues and Expenses

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 for enterprise funds include the cost 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.

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

H. Budgetary Comparison Schedules

Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. The budgetary comparison schedules present the original budget, the final budget, and the actual activity of the major governmental funds.

I. 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 departmental level within an individual fund. The Town Manager is authorized to transfer budgeted amounts within departments within any fund; however, any revisions between departments, from the contingency line item, or that alter the total expenditures of any fund must be approved by Town Council.
- 5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Pool Fund, Water and Sewer Fund, and Airport Fund.
- 6. The budgets for these funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- 7. A review of the presented budget comparisons herein will disclose how accurately Town Council was actually able to forecast the revenues and expenditures of the Town.
- 8. Appropriations lapse on June 30, unless carried forward by a resolution of Town Council.
- 9. Budgetary amounts as presented in the financial statements reflect budget revisions through June 30, 2021.

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

J. Expenditures and Appropriations

Expenditures exceeded appropriations in the following departments of the general fund at June 30, 2021:

| Department | Overspent | |
|--------------|-----------|--------|
| Public works | \$ | 22,079 |
| Debt Service | | 41,147 |

K. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. For purposes of the statement of cash flows, the Town's proprietary funds consider their demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

L. Investments

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, other nonparticipating investments, and external investment pools are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

The Town's investments at June 30, 2021 consisted of amounts invested in the Local Government Investment Pool. The fiduciary fund has an investment in corporate stock.

M. Inventories and Prepaid Items

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

Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

N. <u>Receivables and Payables</u>

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to/from other funds" (i.e. the current portion of interfund loans). All other outstanding balances between funds are reported as "advances to/from other funds" (i.e. the noncurrent portion of interfund loans).

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

N. <u>Receivables and Payables: (Continued)</u>

All trade and property tax receivables are shown net of an allowance for uncollectibles. 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 \$10,459 and \$48,477, respectively at June 30, 2021.

O. <u>Capital Assets</u>

Capital assets are tangible and intangible assets, which include property, plant, and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years.

As the Town constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs, which are amounts spent in relation to capital assets that do not increase the asset's capacity or efficiency or increases its estimated useful life. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

Land and construction in progress are not depreciated. The other property, plant and equipment of the Town are depreciated using the straight-line method over 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 |

P. 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. Deferred outflows of resources are 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.

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

P. Deferred Outflows/Inflows of Resources: (Continued)

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 stallments 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.

Q. Compensated Absences

Vacation

The Town's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from government service. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

Sick Leave

Accumulated sick leave lapses when employees leave the employ of the Town and, upon separation from service, no monetary obligation exists.

The current amount of leave liability has been estimated at 10%. The balance of compensated absences has been reported as a long-term liability.

R. <u>Pensions</u>

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 fiduciary net 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.

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

S. Other Postemployment Benefits (OPEB)

For purposes of measuring the net VRS related OPEB liability, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI OPEB Plan and the additions to/deductions from the VRS OPEB Plan's fiduciary net 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.

T. 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.

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.

U. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

V. <u>Net Position</u>

For government-wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes, and other debt that are attributable 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 included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.

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

V. <u>Net Position: (Continued)</u>

 Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

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.

W. <u>Fund Balance</u>

In governmental fund types, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called "fund balance." The Town's governmental funds report the following categories of fund balance, based on the nature of any limitations requiring the use of resources for specific purposes:

- 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 that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation. Restrictions may be changed or lifted only with the consent of the resource providers.
- Committed fund balance amounts that can be used only for the specific purposes determined by the
 adoption of an ordinance committing fund balance for a specified purpose by the Town Council prior
 to the end of the fiscal year. Once adopted, the limitation imposed by the ordinance remains in
 place until the resources have been spent for the specified purpose or the Council adopts another
 ordinance to remove or revise the limitation.
- Assigned fund balance amounts a government intends to use for a specific purpose but do not meet the criteria to be classified as committed; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. Unlike commitments, assignments general only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.
- Unassigned fund balance amounts that are available for any purpose; positive amounts are only
 reported in the general fund. Additionally, any deficit fund balance within the other governmental
 fund types is reported as unassigned.

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.

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

W. Fund Balance: (Continued)

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

Policy requires that the general and enterprise fund balance should equal not less than 10% of the budgeted expenditures for that fund plus an amount equal to the Town's prior debt expense for that fund. If unassigned fund balance is less than this amount, the deficit must be funded within 3 years, 1/3 each year. In fiscal year 2021, the general fund balance is short of the 10% budgeted operating expenses and debt requirements.

NOTE 2-DEPOSITS AND INVESTMENTS:

Deposits

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

Investments

Statutes authorize the Town to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper that has received at least two of the following ratings: P-1 by Moody's Investors Service, Inc.; A-1 by Standard and Poor's; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), 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, 2021 were held in the Town's name by the Town's custodial bank.

NOTE 2-DEPOSITS AND INVESTMENTS: (CONTINUED)

Credit Risk of Debt Securities

The Town has no investment policy.

The Town's rated debt investments as of June 30, 2021 were rated by <u>Standard & Poor's</u> and/or an equivalent national rating organization and the ratings are presented below using the <u>Standard & Poor's</u> rating scale.

| Rated Debt Investments | | Ratings |
|----------------------------------|----|-----------|
| | _ | AAAm |
| Local Government Investment Pool | \$ | 2,016,868 |
| Total | \$ | 2,016,868 |

Interest Rate Risk

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

| Investment Maturities (in years) | | | | | | | | | |
|----------------------------------|----|-----------|----|---------------------|--|--|--|--|--|
| Investment Type | | Value | | Less Than 1 Year | | | | | |
| Local Government Investment Pool | \$ | 2,016,868 | \$ | 2,016,868 | | | | | |
| Total | \$ | 2,016,868 | \$ | 2,016,868 | | | | | |

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. There are no withdrawal limitations or restrictions imposed on participants.

Notes to Financial Statements As of June 30, 2021 (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, 2021:

| | | Fair Value Measurements Using | | | | | | | | |
|-----------------|-----------------|--|---|-------------------------------------|--|--|--|--|--|--|
| | | Quoted Prices in | Significant | Significant | | | | | | |
| Investment type | 6/30/2021 | Active Markets or Identical Assets (Level 1) | Other Observable Inputs (Level 2) | Unobservable Inputs (Level 3) | | | | | | |
| | 0/ 30/ 2021 | | | | | | | | | |
| Corporate Stock | \$ 8,641 \$ | 8,641 \$ | - \$ | - | | | | | | |
| Total | \$ 8,641 \$ | 8,641 \$ | | - | | | | | | |

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 2021 were \$.117, \$.99, and \$.24 per \$100 of real estate, personal property, and machinery and tools assessed valuation, respectively.

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

NOTE 5-ACCOUNTS RECEIVABLE:

Accounts receivable are detailed as follows:

| | _ | Governmental Activities | | Business-type Activities |
|------------------------------|----|----------------------------|----|-----------------------------|
| Property taxes | \$ | 108,102 | \$ | - |
| Meals taxes | | 45,450 | | - |
| Consumer utility taxes | | 2,159 | | - |
| Consumption taxes | | 380 | | - |
| Trash fee | | 4,678 | | - |
| Utility taxes | | 2,362 | | - |
| Other | _ | 441 | | 207,815 |
| Total | Ş | 163,572 | Ş | 207,815 |
| Allowance for uncollectibles | _ | (10,459) | | (48,477) |
| Net receivables | \$ | 153,113 | \$ | 159,338 |

NOTE 6-DUE FROM OTHER GOVERNMENTAL UNITS:

Amounts due from other governments are detailed as follows:

| | - | Governmental Activities | Business-Type Activities | Total |
|---|----|----------------------------|-----------------------------|---------|
| Commonwealth of Virginia: | | | | |
| Communication tax | \$ | 3,497 \$ | - \$ | 3,497 |
| TEA-21 VDOT grant | | 53,421 | - | 53,421 |
| Airport grant | | - | 11,398 | 11,398 |
| Other | | 1,921 | - | 1,921 |
| County of Orange, Virginia: | | | | |
| Local sales taxes | | 32,083 | - | 32,083 |
| Circuit Court of Orange County, Virginia: | | | | |
| Court fines | - | 14,125 | | 14,125 |
| Total | \$ | 105,047 ş | \$ | 116,445 |

NOTE 7-CAPITAL ASSETS:

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

| | | Balance July 1, 2020 | | Increases | | Decreases | | Balance June 30, 2021 |
|--|-----|--|-----|--------------------------------------|-----|-------------|-----|--|
| Governmental Activities: | | | | | - | | | |
| Capital assets not being depreciated: Land Construction in progress | \$ | 554,744 - | \$ | - 53,099 | \$ | - | \$ | 554,744 53,099 |
| Total capital assets not being depreciated | \$_ | 554,744 | \$ | 53,099 | \$ | - | \$ | 607,843 |
| Other capital assets: Land improvements Buildings and improvements Infrastructure Machinery, equipment and vehicles | \$ | 141,390 1,481,190 3,119,877 413,733 | \$ | - 22,836 - 5,740 | \$ | - - - | \$ | 141,390 1,504,026 3,119,877 419,473 |
| Total other capital assets | \$_ | 5,156,190 | \$ | 28,576 | \$ | - | \$ | 5,184,766 |
| Accumulated depreciation: Land improvements Buildings and improvements Infrastructure Machinery, equipment and vehicles | \$ | 108,987 564,331 297,744 310,574 | \$ | 3,152 49,000 77,997 33,824 | \$ | - - - | \$ | 112,139 613,331 375,741 344,398 |
| Total accumulated depreciation | \$_ | 1,281,636 | \$ | 163,973 | \$_ | - | \$_ | 1,445,609 |
| Other capital assets, net | \$_ | 3,874,554 | \$ | (135,397) | \$_ | - | \$ | 3,739,157 |
| Net capital assets | \$_ | 4,429,298 | \$ | (82,298) | \$ | | \$_ | 4,347,000 |
| Depreciation is allocated to: General government administration Public safety Public works Parks, Recreation, and Cultural | | | \$ | 104,804 20,794 33,637 4,738 | | | | |
| Total | | | \$_ | 163,973 | | | | |

Notes to Financial Statements As of June 30, 2021 (Continued)

NOTE 7-CAPITAL ASSETS: (CONTINUED)

| Business-type Activities: Water and Sewer Fund | - | Balance July 1, 2020 | _ | Increases | Decreases | | Balance June 30, 2021 |
|---|-----|----------------------------|-----|-------------------|-----------|-----|-----------------------------|
| Capital assets not being depreciated: | | | | | | | |
| Land | \$ | 204,978 | \$ | - \$ | - | \$ | 204,978 |
| Construction in progress | - | 25,584 | - | 30,821 | - | | 56,405 |
| Total capital assets not being | | | | | | | |
| depreciated | \$_ | 230,562 | \$_ | 30,821 \$ | - | \$ | 261,383 |
| Other capital assets: | | | | | | | |
| Buildings and improvements | \$ | 1,153,282 | \$ | 14,805 ្ | - | \$ | 1,168,087 |
| Infrastructure | | 2,958,885 | | - | - | | 2,958,885 |
| Machinery, equipment and vehicles | - | 360,687 | - | 5,740 | - | | 366,427 |
| Total other capital assets | \$_ | 4,472,854 | \$_ | 20,545 ទ | - | \$ | 4,493,399 |
| Accumulated depreciation: | | | | | | | |
| Buildings and improvements | \$ | 419,380 | \$ | 39,624 Ş | - | \$ | 459,004 |
| Infrastructure | | 1,797,928 | | 73,713 | - | | 1,871,641 |
| Machinery, equipment and vehicles | - | 292,927 | - | 15,040 | - | | 307,967 |
| Total accumulated depreciation | \$_ | 2,510,235 | \$_ | 128,377 ្ទ | | \$_ | 2,638,612 |
| Other capital assets, net | \$_ | 1,962,619 | \$_ | (107,832) ទ | | \$ | 1,854,787 |
| Net capital assets | \$_ | 2,193,181 | \$_ | <u>(77,011) ج</u> | | \$ | 2,116,170 |
| Depreciation is allocated to: Water and sewer operations | | | \$_ | 128,377 | | | |

NOTE 7-CAPITAL ASSETS: (CONTINUED)

| Business-type Activities: Airport Fund | Balance July 1, 2020 | | Increases | | Decreases | Ju | alance une 30, 2021 |
|---|--------------------------------|-----|-----------|-----|-----------|----|---------------------------|
| Capital assets not being depreciated: | | | | | | | |
| Land | \$ 1,548 | \$ | - | \$ | - Ç | 5 | 1,548 |
| Construction in progress | 156,535 | | 78,004 | | - | | 234,539 |
| Total capital assets not being | | | | | | | |
| depreciated | \$ 158,083 | \$_ | 78,004 | \$_ | Ç | 5 | 236,087 |
| Other capital assets: | | | | | | | |
| Infrastructure | \$ 169,988 | \$_ | - | \$_ | - \$ | 5 | 169,988 |
| Total other capital assets | \$ 169,988 | \$ | - | \$_ | ¢ | 5 | 169,988 |
| Accumulated depreciation: | | | | | | | |
| Infrastructure | \$ 60,040 | \$ | 4,250 | \$ | ç | 5 | 64,290 |
| Total accumulated depreciation | \$ 60,040 | \$ | 4,250 | \$ | ¢ | 5 | 64,290 |
| Other capital assets, net | \$ 109,948 | \$ | (4,250) | \$ | ¢ | 5 | 105,698 |
| Net capital assets | \$ 268,031 | \$ | 73,754 | \$ | ç | 5 | 341,785 |
| Depreciation is allocated to: | | | | | | | |
| Airport operations | | \$_ | 4,250 | | | | |

| Notes to Financial Statements | | | | | | | | |
|---------------------------------|--|--|--|--|--|--|--|--|
| As of June 30, 2021 (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.

| | Government-wide Statements Governmental Activities | | Balance Sheet Governmental Funds |
|---|---|----|---|
| Deferred/Unavailable Property Tax Revenue: | | | |
| Unavailable revenue representing uncollected property tax billings for which asset recognition criteria has not been met. The uncollected tax billings are not available for the funding of current expenditures. \$ | - | \$ | 23,694 |
| 2nd half assessments due after June 30 | 70,286 | | 70,286 |
| Prepaid property taxes due after June 30 but paid in advance by taxpayers | 6,573 | _ | 6,573 |
| Total deferred/unavailable revenue \$ | 76,859 | \$ | 100,553 |
| Unearned revenue: | | | |
| Land and other leases \$ | 251,674 | \$ | 251,674 |
| CARES grant | 63,630 | | 63,630 |
| ARPA grant | 842,464 | | 842,464 |
| Total unearned revenue \$ | 1,157,768 | \$ | 1,157,768 |

NOTE 9-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 \$38,824 in governmental activities (funded by the General Fund) and \$4,507 in the Water and Sewer Fund.

NOTE 10-LONG-TERM OBLIGATIONS:

The following is a summary of long-term obligations of the Town for the year ended June 30, 2021.

| | - | Balance July 1, 2020 | - | lssuances/ Increases | Retirements/ Decreases | - | Balance June 30, 2021 |
|--|-----|-------------------------|----|-------------------------|---------------------------|----|--------------------------|
| Long-term liabilities payable from governmental activities: | | | | | | | |
| Direct borrowing and placements: VRA Bond | \$ | 150 200 | ċ | - | ¢ 49.400 | ċ | 110 700 |
| GO Bonds | Ş | 159,300 1,189,862 | Ş | - | \$ 48,600 72,897 | Ş | 110,700 1,116,965 |
| Premium on Bond | | 6,138 | | | 3,316 | | 2,822 |
| Settlement Agreement - Orange County | | 57,000 | | _ | 9,500 | | 47,500 |
| Capital leases | | 22,410 | | - | 7,470 | | 14,940 |
| Net pension liability | | 88,550 | | 225,258 | 103,018 | | 210,790 |
| Net OPEB liability | | 46,409 | | 13,153 | 15,580 | | 43,982 |
| Compensated absences | | 47,375 | | - | 8,551 | | 38,824 |
| | - | , | - | | | - |) - |
| Total from governmental activities | \$_ | 1,617,044 | \$ | 238,411 | \$ 268,932 | \$ | 1,586,523 |
| Long-term liabilities payable from | | | | | | | |
| business-type activities: | | | | | | | |
| Direct borrowing and placements: | | | | | | | |
| VRA Bond | \$ | 135,700 | \$ | - | \$ 41,400 | \$ | 94,300 |
| GO Bonds | | 241,636 | | - | 14,803 | | 226,833 |
| Premium on Bond | | 5,229 | | - | 2,826 | | 2,403 |
| Net pension liability | | 23,666 | | 69,137 | 30,050 | | 62,753 |
| Net OPEB liability | | 12,336 | | 5,073 | 4,316 | | 13,093 |
| Compensated absences | - | 5,043 | - | | 536 | - | 4,507 |
| Total from business-type activities | \$_ | 423,610 | \$ | 74,210 | \$ 93,931 | \$ | 403,889 |
| Total long-term obligations | \$ | 2,040,654 | \$ | 312,621 | \$362,863 | \$ | 1,990,412 |
| Reconciliation to Exhibit 1: Long-term liabilities: | | | | | | | |
| Due within one year | | | | | | \$ | 216,205 |
| Due in more than one year | | | | | | | 1,774,207 |
| , | | | | | | | . , |
| Total long-term liabilities | | | | | | \$ | 1,990,412 |

NOTE 10-LONG-TERM OBLIGATIONS: (CONTINUED)

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

| Year Ended | | | Series 2018 | ies 2018A/2018B and I | | owings ments l | Orange County Settlement Agreement \$95,000 | | |
|---------------|----|------------|--------------------|-----------------------|------------|----------------------|---|-----------|----------|
| June 30, | | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2022 | \$ | 100,000 | 7,944 | 91,000 | 47,335 | 191,000 | 55,279 \$ | 9,500 \$ | - |
| 2023 | | 105,000 | 2,691 | 94,300 | 43,966 | 199,300 | 46,657 | 9,500 | - |
| 2024 | | - | - | 97,800 | 40,471 | 97,800 | 40,471 | 9,500 | - |
| 2025 | | - | - | 101,400 | 36,846 | 101,400 | 36,846 | 9,500 | - |
| 2026 | | - | - | 105,200 | 33,084 | 105,200 | 33,084 | 9,500 | - |
| 2027-2031 | | - | - | 587,300 | 103,878 | 587,300 | 103,878 | - | - |
| 2032 | - | - | | 266,800 | 9,836 | 266,800 | 9,836 | | - |
| Totals | \$ | 205,000 \$ | 5 <u>10,635</u> \$ | 1,343,800 \$ | 315,416 \$ | 1,548,800 \$ | 326,051 \$ | 47,500 \$ | - |

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

| Year Ended | ID Record Software \$42,000 | | | | | |
|---------------|--------------------------------|----------------|----|----------|--|--|
| June 30, | | Principal | | Interest | | |
| 2022 2023 | \$ | 7,470 7,470 | \$ | - | | |
| Totals | \$ | 14,940 | \$ | - | | |

NOTE 10-LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-term Indebtedness:

| | Total Amount Outstanding | Amount Due Within One Year |
|--|--------------------------------|----------------------------------|
| Governmental Activities: | | |
| Bonds (Direct Borrowings and Placements): | | |
| 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. | \$ 110,700 | \$ 54,000 |
| Premium on Issuance | \$ 2,822 | \$ 2,107 |
| 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. | \$1,116,965 | \$ |
| Total direct borrowings and placements (bonds payable) | \$ 1,230,487 | \$ 131,746 |
| 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. | \$ 47,500 | \$ 9,500 |
| | , | |

NOTE 10-LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-term Indebtedness: (Continued)

| Capital lease: | _ | Total Amount Outstanding | | Amount Due Within One Year |
|---|-----|--------------------------------|------------|----------------------------------|
| In February 2019, the Town entered into a long-term lease through February, 2023 to finance the purchase of ID Records Software. This lease provides for two annual payments in the amount of \$6,060 and four annual payments in the amount of \$7,470, with no interest. The software was capitalized in the amount of \$42,000 | | | | |
| with accumulated depreciation of \$11,921 at June 30, 2020. | \$_ | 14,940 | \$_ | 7,470 |
| Net pension liability | \$ | 210,790 | \$ | - |
| Net OPEB liability | \$ | 43,982 | \$_ | - |
| Compensated absences | \$_ | 38,824 | \$ | 3,882 |
| Total long-term obligations from governmental activities | \$_ | 1,586,523 | \$ | 152,598 |
| Business-type Activities: | | | | |
| Bonds (Direct Borrowings and Placements): | | | | |
| Payments on the \$905,000 bond described above are allocated 46% to the water and sewer fund. | \$ | 94,300 | \$ | 46,000 |
| Payments on the 2018 bonds described above are allocated 17% to the water and | _ | | _ | 45.244 |
| sewer fund. | \$_ | 226,833 | ۶ <u> </u> | 15,361 |
| Total direct borrowings and placements (bonds payable) | \$_ | 321,133 | \$_ | 61,361 |
| Premium on Issuance | \$ | 2,403 | \$_ | 1,795 |
| Net pension liability | \$_ | 62,753 | \$_ | - |
| Net OPEB liability | \$_ | 13,093 | \$ | - |
| Compensated absences | \$_ | 4,507 | \$_ | 451 |
| Total long-term obligations from business-type activities | \$_ | 403,889 | \$_ | 63,607 |

In the event of a default on the 2011 bonds, the lender may declare the unpaid principal balance, along with all accrued interest thereon, to be immediately due and payable. In the event of default on the 2018 bonds, the unpaid principal amount of the bond shall bear interest at the rate of 12 percent per annum or the maximum rate permitted under applicable law, whichever is less.

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, 2021, rent and miscellaneous charges totaled \$422,814.

Water Agreements

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

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

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

NOTE 11-LEASE AND RELATED AGREEMENTS:

Water Agreements: (Continued)

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.

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 <u>Code of Virginia</u>, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

Benefit Structures

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, as detailed below.

- a. Employees with a membership date before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- b. Employees with a membership date from July 1, 2010 to December 31, 2013, that have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before January 1, 2013, are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit beginning at service credit. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.

NOTE 12-PENSION PLAN: (CONTINUED)

Benefit Structures: (Continued)

c. Non-hazardous duty employees with a membership date on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service credit equals 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total service credit. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.70% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the average of the average of the employee's 60 consecutive months of highest consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

Cost-of-Living Adjustment (COLA) in Retirement and Death and Disability Benefits

Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of service credit are eligible for an annual COLA beginning July 1 after one full calendar year from the retirement date. Retirees with a reduced benefit and who have less than 20 years of service credit are eligible for an annual COLA beginning on July 1 after one calendar year following the unreduced retirement eligibility date. Under Plan 1, the COLA cannot exceed 5.00%. Under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51.1 of the <u>Code of Virginia</u>, as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

NOTE 12-PENSION PLAN: (CONTINUED)

Employees Covered by Benefit Terms

As of the June 30, 2019 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

| | Number |
|--|--------|
| Inactive members or their beneficiaries currently receiving benefits | 6 |
| Inactive members: Non-vested inactive members | 13 |
| Inactive members active elsewhere in VRS | 14 |
| Total inactive members | 27 |
| Active members | 18 |
| Total covered employees | 51 |

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the <u>Code of Virginia</u>, 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.

The Town's contractually required employer contribution rate for the year ended June 30, 2021 was 14.31% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

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 \$95,911 and \$67,114 for the years ended June 30, 2021 and June 30, 2020, respectively.

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. The Town's net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020.

NOTE 12-PENSION PLAN: (CONTINUED)

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, 2019, 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, 2020.

| Inflation | 2.50% |
|---------------------------------------|--|
| Salary increases, including inflation | 3.50% - 5.35% |
| Investment rate of return | 6.75%, net of pension plan investment expenses, including inflation* |

* Administrative expenses as a percent of the fair 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of pension liabilities.

Mortality 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.

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.

Actuarial Assumptions - General Employees (Continued)

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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 14.00% to 15.00% |
| Discount Rate | Decreased rate from 7.00% to 6.75% |

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, 2019, 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, 2020.

| Inflation | 2.50% |
|---------------------------------------|--|
| Salary increases, including inflation | 3.50% - 4.75% |
| Investment rate of return | 6.75%, net of pension plan investment expenses, including inflation* |

* Administrative expenses as a percent of the fair 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of pension liabilities.

NOTE 12-PENSION PLAN: (CONTINUED)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits: (Continued)

Mortality rates:

All Others (Non-10 Largest) -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, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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 |
| | Adjusted rates to better fit experience at each year age |
| Withdrawal Rates | 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 60.00% to 45.00% |
| Discount Rate | Decreased rate from 7.00% to 6.75% |

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) | Long-Term Target Asset Allocation | Arithmetic Long-term Expected Rate of Return | Weighted Average Long-term Expected Rate of Return* |
|--------------------------------------|--|---|---|
| Public Equity | 34.00% | 4.65% | 1.58% |
| Fixed Income | 15.00% | 0.46% | 0.07% |
| Credit Strategies | 14.00% | 5.38% | 0.75% |
| Real Assets | 14.00% | 5.01% | 0.70% |
| Private Equity | 14.00% | 8.34% | 1.17% |
| MAPS - Multi-Asset Public Strategies | 6.00% | 3.04% | 0.18% |
| PIP - Private Investment Partnership | 3.00% | 6.49% | 0.19% |
| Total | 100.00% | | 4.64% |
| | | Inflation | 2.50% |
| | *Expected arithmet | tic nominal return | 7.14% |

* The above allocation provides a one-year return of 7.14%. 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 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. 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. Consistent with the phased-in funding provided by the General Assembly for

Discount Rate (Continued)

state and teacher employer contributions; the Town was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2020, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. From July 1, 2020 on, participating employers are assumed to continue 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 Plan | | | Net | |
| | | Pension | | Fiduciary | | Pension |
| | | Liability | | Net Position | | Liability |
| | _ | (a) | | (b) | | (a) - (b) |
| Balances at June 30, 2019 | \$_ | 1,670,322 | \$ | 1,558,106 | \$ | 112,216 |
| Changes for the year: | | | | | | |
| Service cost | \$ | 124,267 | \$ | - | \$ | 124,267 |
| Interest | | 110,602 | | - | | 110,602 |
| Differences between expected | | | | | | |
| and actual experience | | 56,444 | | - | | 56,444 |
| Contributions - employer | | - | | 67,187 | | (67,187) |
| Contributions - employee | | - | | 33,775 | | (33,775) |
| Net investment income | | - | | 30,029 | | (30,029) |
| Benefit payments, including refunds | | | | | | |
| of employee contributions | | (63,543) | | (63,543) | | - |
| Administrative expenses | | - | | (968) | | 968 |
| Other changes | _ | - | | (37) | _ | 37 |
| Net changes | \$ | 227,770 | \$ | 66,443 | \$ | 161,327 |
| Balances at June 30, 2020 | \$ | 1,898,092 | \$ | 1,624,549 | \$ | 273,543 |

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 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

| | | Rate | | | | | | |
|--------------------------------------|----|---------------------------------------|----|---------|----|---------|--|--|
| | - | 1% Decrease Current Discount 1% Incre | | | | | | |
| | _ | (5.75%) | | (6.75%) | | (7.75%) | | |
| Town's Net Pension Liability (Asset) | \$ | 545,377 | \$ | 273,543 | \$ | 50,911 | | |

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

For the year ended June 30, 2021, the Town recognized pension expense of \$144,562. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | _ | Deferred Outflows of Resources | | Deferred Inflows of Resources |
|---|----|-----------------------------------|----|----------------------------------|
| Differences between expected and actual experience | \$ | 42,686 | \$ | 4,921 |
| Changes of assumptions | | 19,628 | | - |
| Net difference between projected and actual earnings on pension plan investments | | 49,164 | | - |
| Changes in proportionate share | | 1,677 | | 1,677 |
| Employer contributions subsequent to the measurement date | _ | 95,911 | _ | - |
| Total | \$ | 209,066 | \$ | 6,598 |

\$95,911 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, 2022. 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 | | |
|--------------------|---|--------|
| 2022 | Ş | 38,164 |
| 2023 | | 34,316 |
| 2024 | | 18,801 |
| 2025 | | 15,276 |
| Thereafter | | - |

NOTE 12-PENSION PLAN: (CONTINUED)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <u>http://www.varetire.org/pdf/publications/2020-annual-report-pdf</u>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

NOTE 13-OTHER POSTEMPLOYMENT BENEFITS:

Group Life Insurance (GLI) Plan

Plan Description

The Group Life Insurance (GLI) Plan was established pursuant to §51.1-500 et seq. of the <u>Code of Virginia</u>, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI Plan 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 GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI Plan. 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 plan, it is not included as part of the GLI Plan OPEB.

The specific information for GLI OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

The GLI Plan was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the plan. Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts 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. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,616 as of June 30, 2021.

NOTE 13-OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Group Life Insurance (GLI) Plan (Continued)

Contributions

The contribution requirements for the GLI Plan are governed by \$51.1-506 and \$51.1-508 of the <u>Code of</u> <u>Virginia</u>, 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 GLI Plan was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% ($1.34\% \times 60\%$) and the employer component was 0.54% ($1.34\% \times 40\%$). 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, 2021 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. 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 Plan from the entity were \$3,794 and \$3,661 for the years ended June 30, 2021 and June 30, 2020, respectively.

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB

At June 30, 2021, the entity reported a liability of \$57,075 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2020 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2019 and rolled forward to the measurement date of June 30, 2020. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the participating employer's proportion was .00342% as compared to .00361% at June 30, 2019.

For the year ended June 30, 2021, the participating employer recognized GLI OPEB expense of \$1,098. 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.

NOTE 13-OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Group Life Insurance (GLI) Plan: (Continued)

At June 30, 2021, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

| | _ | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|----|-----------------------------------|--------------------------------------|
| Differences between expected and actual experience | \$ | 3,661 | \$ 512 |
| Net difference between projected and actual earnings on GLI OPEB program investments | | 1,714 | - |
| Change in assumptions | | 2,854 | 1,192 |
| Changes in proportionate share | | 976 | 4,626 |
| Employer contributions subsequent to the measurement date | _ | 3,794 | - |
| Total | \$ | 12,999 | \$ 6,330 |

\$3,794 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, 2022. 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:

| Year Ended June 30 | |
|--------------------|-------------|
| 2022 | \$ (219) |
| 2023 | 265 |
| 2024 | 1,202 |
| 2025 | 1,626 |
| 2026 | 72 |
| Thereafter | (71) |
| | |

NOTE 13-OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Group Life Insurance (GLI) Plan: (Continued)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2019, 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, 2020. The assumptions include several employer groups. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

| Inflation | 2.50% |
|---|---|
| Salary increases, including inflation: Locality - General employees Locality - Hazardous Duty employees | 3.50%-5.35% 3.50%-4.75% |
| Investment rate of return | 6.75%, net of investment expenses, including inflation* |

*Administrative expenses as a percent of the fair 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of OPEB liabilities.

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.

NOTE 13-OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Group Life Insurance (GLI) Plan: (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Non-Largest Ten Locality Employers - General Employees: (Continued)

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action 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 14.00% to 15.00% |
| Discount Rate | Decreased rate from 7.00% to 6.75% |

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.

NOTE 13-OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Group Life Insurance (GLI) Plan: (Continued)

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action 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 60.00% to 45.00% |
| Discount Rate | Decreased rate from 7.00% to 6.75% |

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the plan's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2020, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

| | GLI OPEB Plan |
|---|----------------------|
| Total GLI OPEB Liability | \$ 3,523,937 |
| Plan Fiduciary Net Position | 1,855,102 |
| GLI Net OPEB Liability (Asset) | \$ 1,668,835 |
| Plan Fiduciary Net Position as a Percentage | |
| of the Total GLI OPEB Liability | 52.64% |

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.

NOTE 13-OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Group Life Insurance (GLI) Plan: (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:

| Asset Class (Strategy) | Long-term Target Asset Allocation | Arithmetic Long-term Expected Rate of Return | Weighted Average Long-term Expected Rate of Return* |
|--------------------------------------|--|---|---|
| Public Equity | 34.00% | 4.65% | 1.58% |
| Fixed Income | 15.00% | 0.46% | 0.07% |
| Credit Strategies | 14.00% | 5.38% | 0.75% |
| Real Assets | 14.00% | 5.01% | 0.70% |
| Private Equity | 14.00% | 8.34% | 1.17% |
| MAPS - Multi-Asset Public Strategies | 6.00% | 3.04% | 0.18% |
| PIP - Private Investment Partnership | 3.00% | 6.49% | 0.19% |
| Total | 100.00% | | 4.64% |
| | | Inflation | 2.50% |
| | *Expected arithme | tic nominal return | 7.14% |

*The above allocation provides a one-year return of 7.14%. 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 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

NOTE 13-OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Group Life Insurance (GLI) Plan: (Continued)

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. 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 ended June 30, 2020, 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 which was 100% of the actuarially determined contribution rate. From July 1, 2020 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.

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 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

| | | Rate | | | | |
|-----------------------------------|----|-------------|------------------|-------------|--|--|
| | _ | 1% Decrease | Current Discount | 1% Increase | | |
| | | (5.75%) | (6.75%) | (7.75%) | | |
| Town's proportionate share of the | | | | | | |
| GLI Plan Net OPEB Liability | \$ | 75,029 \$ | 57,075 \$ | 42,494 | | |

GLI Plan Fiduciary Net Position

Detailed information about the GLI Plan's Fiduciary Net Position is available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <u>http://www.varetire.org/pdf/publications/2020-annual-report.pdf</u>, 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.

NOTE 13-OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Line of Duty Act (LODA): (Continued)

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 Virginia Risk Sharing Association (VRSA). VRSA 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 VRSA. This is built into the LODA coverage cost presented in the annual renewals. The Town's LODA premium for the year ended June 30, 2021 was \$9,051.

NOTE 14-CONTINGENT LIABILITIES:

At June 30, 2021 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:

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

| | - | Contract Amount | Spent to Date | Balance of Contract |
|-------------------------------|----|--------------------|----------------------|----------------------------|
| Town Hall Parking Lot | \$ | 44,600 | \$ 26,500 | \$ 18,100 |
| Safe Routes | | 563,980 | 26,599 | 537,381 |
| Wayfinding Signage | | 85,940 | - | 85,940 |
| Airport Runway Rehabilitation | | 1,922,373 | 209,018 | 1,713,355 |
| Total | \$ | 2,616,893 | \$ 262,117 | \$ 2,354,776 |

NOTE 16-RISK MANAGEMENT:

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

NOTE 17-INTERGOVERNMENTAL AGREEMENT:

In September 2007, the Town entered into a raw water storage basin agreement with the Town of Orange, Virginia. The agreement stipulates that the interest cost to Orange for the financing of the construction of the raw water storage basin will be borne by Gordonsville and Orange in proportion to the monthly amount each takes of the finished water produced by Orange. The agreement shall continue until payments are made for forty (40) years or until the bonds are paid off, whichever occurs first. The Town of Gordonsville made payments totaling \$11,551 during fiscal year 2021 pursuant to the agreement.

NOTE 18-ADOPTION OF ACCOUNTING PRINCIPLE:

The Town implemented provisions of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities* during the fiscal year ended June 30, 2021. This statement establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The implementation of this Statement resulted in no restatement of net position.

NOTE 19–UPCOMING PRONOUNCEMENTS:

Statement No. 87, *Leases*, requires 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. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period, provides guidance for reporting 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. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

Statement No. 92, *Omnibus 2020*, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics such as leases, assets related to pension and postemployment benefits, and reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. The effective dates differ by topic, ranging from January 2020 to periods beginning after June 15, 2021.

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability of Payment Arrangements*, addresses issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

NOTE 19–UPCOMING PRONOUNCEMENTS: (CONTINUED)

Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs), (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

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

NOTE 20-SUBSEQUENT EVENTS:

COVID-19 Pandemic and Funding

The COVID-19 pandemic and its impact on operations continues to evolve. Specific to the Town, COVID-19 impacted various parts of its 2021 operations and financial results including, but not limited to, costs for emergency preparedness and shortages of personnel. Federal relief has been received through various programs. Management believes the Town is taking appropriate actions to mitigate the negative impact. The extent to which COVID-19 may impact operations in subsequent years remains uncertain, and management is unable to estimate the effects on future results of operations, financial condition, or liquidity for fiscal year 2022.

CARES Act Funding

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was passed by the federal government to alleviate some of the effects of the sharp economic downturn due to the COVID-19 pandemic, which included direct aid for state and local governments from the federal Coronavirus Relief Fund (CRF).

Each locality received its CRF allocations based on population in two equal payments, with the second and final round of funding being received during fiscal year 2021. The Town's share of CARES funds was allocated from the County of Orange, Virginia. The Town received total CRF funding of \$280,060, with \$45,000 refunded to the County to assist with the Social Services program. As a condition of receiving CRF funds, any funds unexpended as of December 31, 2021 will be returned to the federal government. The Town had unspent funds of \$63,630 remaining at June 30, 2021.

ARPA Funding

On March 11, 2021, the American Rescue Plan (ARPA) Act of 2021 was passed by the federal government. A primary component of the ARPA was the establishment of the Coronavirus State and Local Fiscal Recovery Fund (CSLFRF). Local governments are to receive funds in two tranches, with 50% provided beginning in May 2021 and the balance delivered approximately 12 months later.

On June 30, 2021, the Town received its share of the first half of the CSLFRF funds. As a condition of receiving CSLFRF funds, any funds unobligated by December 31, 2024, and unexpended by December 31, 2026, will be returned to the federal government. Unspent funds in the amount of \$842,464 from the initial allocation are reported as unearned revenue as of June 30.

TOWN OF GORDONSVILLE, VIRGINIA

NOTE 20-SUBSEQUENT EVENTS: (CONTINUED)

Other Subsequent Events

On August 31, 2021, the Town received \$175,000 in funds from a legal settlement related to the Freight Depot Project.

On September 20, 2021, Town Council approved amendment #4 to extend the current contract for airport engineering consulting services for the Gordonsville Municipal Airport through October 16, 2022.

Required Supplementary Information

General Fund Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual For the Year Ended June 30, 2021

| | _ | Budgeted A | mounts | Actual | Variance with Final Budget - Positive |
|--|----------------|--------------|--------------|-------------------|---|
| | | Original | Final | Actual Amounts | (Negative) |
| REVENUES | _ | | | | |
| General property taxes | \$ | 250,900 \$ | 250,900 \$ | 268,444 \$ | 17,544 |
| Other local taxes | | 698,130 | 712,430 | 752,892 | 40,462 |
| Permits, privilege fees, and regulatory licenses | | 1,250 | 1,250 | 1,776 | 526 |
| Fines and forfeitures | | 160,000 | 160,000 | 114,774 | (45,226) |
| Revenue from the use of money and property | | 566,420 | 566,420 | 526,371 | (40,049) |
| Miscellaneous | | 104,800 | 114,450 | 52,739 | (61,711) |
| Recovered costs | | - | - | 5,650 | 5,650 |
| Intergovernmental: | | | | | |
| Commonwealth | | 113,990 | 127,590 | 138,953 | 11,363 |
| Federal | . – | 680,700 | 981,360 | 443,107 | (538,253) |
| Total revenues | \$_ | 2,576,190 \$ | 2,914,400 \$ | 2,304,706 \$ | (609,694) |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government administration | \$ | 446,460 \$ | 742,310 \$ | 637,713 \$ | 104,597 |
| Public safety | | 637,640 | 847,116 | 608,594 | 238,522 |
| Public works | | 441,250 | 490,928 | 513,007 | (22,079) |
| Health and welfare | | 4,500 | 22,500 | 22,363 | 137 |
| Parks, recreation, and cultural | | 53,750 | 55,299 | 46,306 | 8,993 |
| Community development | | 1,200 | 11,200 | 11,200 | - |
| Capital projects | | 932,500 | 1,048,602 | 490,781 | 557,821 |
| Debt service: | | | | | |
| Principal retirement | | 114,070 | 114,070 | 138,466 | (24,396) |
| Interest and other fiscal charges | | 32,050 | 32,050 | 48,801 | (16,751) |
| Total expenditures | \$ | 2,663,420 \$ | 3,364,075 \$ | 2,517,231 \$ | 846,844 |
| Excess (deficiency) of revenues over (under) | | | | | |
| expenditures | \$ | (87,230) \$ | (449,675) \$ | (212,525) \$ | 237,150 |
| experiences | Ý – | (07,230) \$ | (117,075) | (212,323) | 257,150 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers out | \$ | (263,550) \$ | (292,750) \$ | - \$ | 292,750 |
| Total other financing sources (uses) | \$ | (263,550) \$ | (292,750) \$ | - \$ | 292,750 |
| Net change in fund balances | \$ | (350,780) \$ | (742,425) \$ | (212,525) \$ | 529,900 |
| Fund balances - beginning | | 350,780 | 742,425 | 298,875 | (443,550) |
| Fund balances - ending | \$ | - \$ | - \$ | 86,350 \$ | |
| - | - | ` _ _ | · _ | | |

Pool Fund Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual For the Year Ended June 30, 2021

| | _ | Budgeted Ar | nounts | Actual | | Variance with Final Budget - Positive |
|--|-----|-------------|----------|-----------|------|---|
| | | Original | Final | Amounts | | (Negative) |
| REVENUES | | | | | | · · · · |
| Charges for services | \$ | 14,300 \$ | 14,300 | 5 - | \$ | (14,300) |
| Miscellaneous | | 3,500 | 3,500 | - | | (3,500) |
| Total revenues | \$ | 17,800 \$ | 17,800 | | \$ | (17,800) |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| Parks, recreation, and cultural | \$ | 44,870 \$ | 44,870 | | _ | 39,556 |
| Total expenditures | \$_ | 44,870 \$ | 44,870 | 5,314 | _\$_ | 39,556 |
| Excess (deficiency) of revenues over (under) | | | | | | |
| expenditures | \$ | (27,070) \$ | (27,070) | (5,314) |)\$ | 21,756 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | \$ | 27,070 \$ | 27,070 | 5 - | \$ | (27,070) |
| Total other financing sources (uses) | \$ | 27,070 \$ | 27,070 | - | \$ | (27,070) |
| Net change in fund balances | \$ | - \$ | - : | 5 (5,314) |)\$ | (5,314) |
| Fund balances - beginning | | - | - | 81,719 | | 81,719 |
| Fund balances - ending | \$ | - \$ | - | 76,405 | \$ | 76,405 |

| | | 2020 | 2019 | 2018 |
|---|----|--------------|--------------|-----------|
| Total pension liability | - | | | |
| Service cost | \$ | 124,267 \$ | 85,856 \$ | 92,413 |
| Interest | | 110,602 | 102,881 | 92,717 |
| Changes in benefit terms | | - | - | - |
| Changes of assumptions | | - | 54,676 | - |
| Differences between expected and actual experience | | 56,444 | (13,709) | 24,279 |
| Benefit payments | _ | (63,543) | (58,230) | (70,183) |
| Net change in total pension liability | \$ | 227,770 \$ | 171,474 \$ | 139,226 |
| Total pension liability - beginning | | 1,670,322 | 1,498,848 | 1,359,622 |
| Total pension liability - ending (a) | \$ | 1,898,092 \$ | 1,670,322 \$ | 1,498,848 |
| Plan fiduciary net position | | | | |
| Contributions - employer | \$ | 67,187 \$ | 67,996 \$ | 57,578 |
| Contributions - employee | | 33,775 | 34,286 | 32,502 |
| Net investment income | | 30,029 | 97,396 | 97,096 |
| Benefit payments | | (63,543) | (58,230) | (70,183) |
| Administrator charges | | (968) | (883) | (806) |
| Other | | (37) | (62) | (88) |
| Net change in plan fiduciary net position | \$ | 66,443 \$ | 140,503 \$ | 116,099 |
| Plan fiduciary net position - beginning | | 1,558,106 | 1,417,603 | 1,301,504 |
| Plan fiduciary net position - ending (b) | \$ | 1,624,549 \$ | 1,558,106 \$ | 1,417,603 |
| Town's net pension liability - ending (a) - (b) | \$ | 273,543 \$ | 112,216 \$ | 81,245 |
| Plan fiduciary net position as a percentage of the | | | | |
| total pension liability | | 85.59% | 93.28% | 94.58% |
| Covered payroll | \$ | 703,957 \$ | 706,527 \$ | 669,139 |
| Town's net pension liability as a percentage of covered payroll | | 38.86% | 15.88% | 12.14% |

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 Changes in Net Pension Liability and Related Ratios Virginia Retirement System - Pension Plan

For the Measurement Dates of June 30, 2014 through June 30, 2020

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

Schedule of Employer Contributions - Pension Plan For the Years Ended June 30, 2012 through June 30, 2021

| Date | Contractually Required Contribution (1) | Contributions in Relation to Contractually Required Contribution (2) | Contribution Deficiency (Excess) (3) | Employer's Covered Payroll (4) | Contributions as a % of Covered Payroll (5) |
|------|--|---|---|---|---|
| 2021 | \$ 95,911 | \$ 95,911 | \$ - | \$ 684,089 | 14.02% |
| 2020 | 67,114 | 67,114 | - | 703,957 | 9.53% |
| 2019 | 67,988 | 67,988 | - | 706,527 | 9.62% |
| 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 % |

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 actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action 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 | Lowered rates |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 14.00% to 15.00% |
| Discount Rate | Decreased rate from 7.00% to 6.75% |

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

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 60.00% to 45.00% |
| Discount Rate | Decreased rate from 7.00% to 6.75% |

Schedule of Town's Share of Net OPEB Liability - Group Life Insurance (GLI) Plan For the Measurement Dates of June 30, 2017 through 2020

| Date (1) | Employer's Proportion of the Net GLI OPEB Liability (Asset) (2) | Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3) | С | nployer's overed Payroll (4) | Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5) | Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6) |
|-------------|---|---|----|---------------------------------------|--|---|
| 2020 | 0.00342% \$ | 57,075 | \$ | 703,957 | 8.11% | 52.64% |
| 2019 | 0.00361% | 58,745 | | 706,527 | 8.31% | 52.00% |
| 2018 | 0.00352% | 54,000 | | 669,139 | 8.07% | 51.22% |
| 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.

TOWN OF GORDONSVILLE, VIRGINIA

Schedule of Employer Contributions - Group Life Insurance (GLI) Plan For the Years Ended June 30, 2012 through June 30, 2021

| Date | ontractually Required ontribution (1) | Contributions in Relation to Contractually Required Contribution (2) | Contribution Deficiency (Excess) (3) | _ | Employer's Covered Payroll (4) | Contributions as a % of Covered Payroll (5) |
|------|--|---|---|----|---|---|
| 2021 | \$ 3,794 | \$ 3,794 | \$ - | \$ | 702,725 | 0.54% |
| 2020 | 3,661 | 3,661 | - | | 703,957 | 0.52% |
| 2019 | 3,674 | 3,674 | - | | 706,527 | 0.52% |
| 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% |

Notes to Required Supplementary Information - Group Life Insurance (GLI) Plan For the Year Ended June 30, 2021

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 actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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 14.00% to 15.00% |
| Discount Rate | Decreased rate from 7.00% to 6.75% |

Non-Largest Ten Locality Employers - Hazardous Duty Employees

| 5 5 7 1 5 | 5 I 5 |
|---|--|
| 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 60.00% to 45.00% |
| Discount Rate | Decreased rate from 7.00% to 6.75% |
| | |

Other Supplementary Information

Supporting Schedules

| Fund, Major and Minor Revenue Source | | Original Budget | | Final Budget | | Actual | _ | Variance with Final Budget - Positive (Negative) |
|---|-----|--------------------|-----------------------|-----------------|-------|-----------|-----|---|
| General Fund: | | | | | | | | |
| Revenue from local sources: | | | | | | | | |
| General property taxes: | | | | | | | | |
| Real property taxes | \$ | 152,000 | \$ | 152,000 | \$ | 155,169 | \$ | 3,169 |
| Real and personal public service | | | | | | | | |
| corporation taxes | | 5,000 | | 5,000 | | 6,160 | | 1,160 |
| Personal property taxes | | 71,200 | | 71,200 | | 72,648 | | 1,448 |
| Mobile home taxes | | - | | - | | 22 | | 22 |
| Machinery and tools taxes | | 12,000 | | 12,000 | | 12,840 | | 840 |
| Penalties | | 4,000 | | 4,000 | | 11,937 | | 7,937 |
| Interest and other fees | . – | 6,700 | | 6,700 | | 9,668 | | 2,968 |
| Total general property taxes | Ş | 250,900 | _ Ş _ | 250,900 | Ş | 268,444 | Ş. | 17,544 |
| Other local taxes: | | | | | | | | |
| Local sales and use taxes | Ş | 92,500 | Ś | 92,500 | Ś | 116,472 | ¢ | 23,972 |
| Consumers' utility taxes | Ŷ | 31,500 | Ŷ | 31,500 | Ŷ | 31,913 | Ŷ | 413 |
| Cigarette taxes | | 31,000 | | 31,000 | | 48,000 | | 17,000 |
| Business license taxes | | 98,730 | | 98,730 | | 120,078 | | 21,348 |
| Motor vehicle licenses | | 35,000 | | 35,000 | | 33,608 | | (1,392) |
| Bank stock taxes | | 8,000 | | 8,000 | | 30,866 | | 22,866 |
| Cable franchise taxes | | 1,400 | | 1,400 | | 6,447 | | 5,047 |
| Restaurant food taxes | | 400,000 | | 400,000 | | 353,065 | | (46,935) |
| Water tax | | | | 14,300 | | 12,443 | | (1,857) |
| Total other local taxes | \$ | 698,130 | \$ | 712,430 | \$ | 752,892 | \$ | 40,462 |
| Permits, privilege fees, and regulatory licenses: | | | | | | | | |
| Permits and other licenses | Ş | 1,250 | ¢ | 1,250 | ¢ | 1,776 | ¢ | 526 |
| Total permits, privilege fees, and | `- | 1,230 | | 1,250 | · | 1,770 | · - | 520 |
| regulatory licenses | \$ | 1,250 | \$ | 1,250 | \$ | 1,776 | \$ | 526 |
| Fines and forfeitures: | | | | | | | - | |
| Court fines and forfeitures | \$ | 160,000 | \$ | 160,000 | Ś | 114,774 | Ś | (45,226) |
| Total fines and forfeitures | š- | 160,000 | | 160,000 | | 114,774 | | (45,226) |
| | Ť- | , | | , | · | , | - | (10)==0) |
| Revenue from use of money and property: | | | | | | | | |
| Revenue from use of money | \$ | 36,000 | \$ | 36,000 | \$ | 3,212 | \$ | (32,788) |
| Revenue from use of property | | 530,420 | | 530,420 | | 523,159 | _ | (7,261) |
| Total revenue from use of money | | | | | _ | | | |
| and property | \$_ | 566,420 | - ^{\$} - | 566,420 | \$ | 526,371 | \$. | (40,049) |
| Miscellaneous: | | | | | | | | |
| Miscellaneous | \$ | 104,800 | | 114,450 | \$ | 52,739 | \$ | (61,711) |
| Total miscellaneous revenue | \$ | 104,800 | \$ | 114,450 | \$ | 52,739 | \$ | (61,711) |
| Total revenue from local sources | \$ | 1,781,500 | \$ | 1,805,450 | \$ | 1,722,646 | \$ | (82,804) |
| Recovered costs: | | | _ • | | _ | | | |
| Insurance recovery | \$ | - | \$ | - | \$ | 5,650 | \$ | 5,650 |
| Total recovered costs | s- | - | - <u></u> - <u></u> - | - | s- | 5,650 | | 5,650 |
| | Ť | _ | - ´ - | | · ´ – | 3,030 | · - | 3,030 |

| Fund, Major and Minor Revenue Source | Original Budget | | | Final Budget | Actual | | Variance with Final Budget - Positive (Negative) | |
|--|--------------------|--------------------|------------------|--------------------|--------|-----------|---|---------------------|
| General Fund: (Continued) Intergovernmental: Revenue from the Commonwealth: Noncategorical aid: | | | | | | | | |
| Rolling stock taxes | \$ | 990 | Ś | 990 | ς | 973 | Ś | (17) |
| Motor vehicle rental tax | Ŷ | - | Ŷ | 600 | Ŷ | 1,882 | Ŷ | 1,282 |
| Communication taxes | | 25,000 | | 25,000 | | 22,424 | | (2,576) |
| Personal property tax relief funds | | 33,700 | | 33,700 | | 33,719 | | 19 |
| Skills game tax | | - | | 8,000 | | 14,832 | | 6,832 |
| Total noncategorical aid | \$ | 59,690 | \$ | 68,290 | \$ | 73,830 | \$ | 5,540 |
| Categorical aid: Other categorical aid: | _ | | | | | | - | |
| 599 Funding | \$ | 41,000 | \$ | 41,000 | \$ | 46,466 | \$ | 5,466 |
| Litter control grant | | 3,300 | | 3,300 | | 3,657 | | 357 |
| Fire programs fund | _ | 10,000 | | 15,000 | | 15,000 | _ | - |
| Total other categorical aid | \$ | 54,300 | \$ | 59,300 | \$ | 65,123 | \$_ | 5,823 |
| Total revenue from the Commonwealth | \$ | 113,990 | \$ | 127,590 | \$ | 138,953 | \$_ | 11,363 |
| Revenue from the federal government: Categorical aid: | ÷ | 2 500 | ÷ | 2 500 | ÷ | 70.4 | ć | |
| State and community highway safety grant | \$ | 2,500 | Ş | 2,500 | Ş | 721 | Ş | (1,779) |
| Safe Routes to School TEA-21 Depot Grant | | 451,200 227,000 | | 451,200 227,000 | | 260,718 | | (451,200) 33,718 |
| USDA Equipment Grant | | 227,000 | | 20,600 | | 200,718 | | 55,710 |
| Coronavirus Relief Funds | | - | | 280,060 | | 161,068 | | (118,992) |
| Total categorical aid | s- | 680,700 | - s - | 981,360 | - s - | 443,107 | s ⁻ | (538,253) |
| Total revenue from the federal government | \$ | 680,700 | - <u>-</u> \$ | | \$ | 443,107 | - | (538,253) |
| Total General Fund | \$ | 2,576,190 | \$ | 2,914,400 | \$ | 2,304,706 | \$ | (609,694) |
| Special Revenue Fund: Pool Fund: Revenue from local sources: Charges for services: | _ | | | | | | = | |
| Charges for open swim | \$ | 10,000 | \$ | 10,000 | \$ | - | \$ | (10,000) |
| Charges for swim lessons | | 1,500 | | 1,500 | | - | | (1,500) |
| Charges for concessions | | 2,500 | | 2,500 | | - | | (2,500) |
| Charges for private rentals | _ | 300 | | 300 | | - | _ | (300) |
| Total charges for services | \$_ | 14,300 | \$ | 14,300 | \$ | - | \$_ | (14,300) |
| Miscellaneous: | | | | | | | | |
| Donations | Ş | 3,500 | Ş | 3,500 | Ş | - | Ş | (3,500) |
| Total miscellaneous | \$ | 3,500 | \$ | 3,500 | \$ | - | \$ | (3,500) |
| Total revenue from local sources | \$ | 17,800 | Ş | 17,800 | Ş | - | \$ | (17,800) |
| Total Pool Fund | \$ | 17,800 | \$ | 17,800 | \$ | - | \$_ | (17,800) |
| Total Primary Government | Ş | 2,593,990 | Ş | 2,932,200 | Ş | 2,304,706 | Ş | (627,494) |

| Fund, Function, Activity and Elements | | Original Budget | | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|--|-------------|--------------------|----|-----------------|------------|---|
| General Fund: | | | | | | |
| General government administration: | | | | | | |
| Legislative: | | | | | | |
| Town Council | \$ | 18,420 | Ş | 18,420 \$ | 14,429 \$ | 3,991 |
| General and financial administration: | | | | | | |
| Administration | \$ | 256,220 | \$ | 549,783 \$ | 478,749 \$ | 71,034 |
| Town attorney | | 20,550 | | 20,550 | 17,945 | 2,605 |
| Treasurer | | 151,270 | | 153,557 | 126,590 | 26,967 |
| Total general and financial administration | \$ | 428,040 | \$ | 723,890 \$ | 623,284 \$ | 100,606 |
| Total general government administration | \$ | 446,460 | \$ | 742,310 \$ | 637,713 \$ | 104,597 |
| Public safety: | | | | | | |
| Law enforcement and traffic control: | | | | | | |
| Police department | \$ | 622,640 | | 807,116 \$ | 568,594 \$ | |
| Total law enforcement and traffic control | \$ | 622,640 | \$ | 807,116 \$ | 568,594 \$ | 238,522 |
| Fire and rescue services: | | | | | | |
| Volunteer fire department | \$ | 15,000 | \$ | 20,000 \$ | 20,000 \$ | - |
| Volunteer fire department - COVID funding | | - | | 20,000 | 20,000 | - |
| Total fire and rescue services | \$ | 15,000 | \$ | 40,000 \$ | 40,000 \$ | - |
| Total public safety | \$ | 637,640 | \$ | 847,116 \$ | 608,594 \$ | 238,522 |
| Public works: | | | | | | |
| Maintenance of highways, streets, bridges | | | | | | |
| and sidewalks: | | | | | | |
| Highways, streets, bridges and sidewalks | \$ | 370,350 | \$ | 421,044 \$ | 428,079 \$ | (7,035) |
| Sanitation and waste removal: | | | | | | |
| Refuse collection | Ş | 60,900 | Ś | 60,900 \$ | 75,632 \$ | (14,732) |
| Refuse disposal | | 3,200 | · | 3,200 | 2,451 | 749 |
| Litter control | | 3,300 | | 3,300 | 4,366 | (1,066) |
| Total sanitation and waste removal | \$ | 67,400 | \$ | 67,400 \$ | 82,449 \$ | (15,049) |
| Maintenance of general buildings and grounds: | | | | | | |
| Rental property maintenance | \$ | 3,500 | Ś | 2,484 \$ | 2,479 \$ | 5 |
| Total maintenance of general buildings and grounds | \$ - | 3,500 | _ | 2,484 \$ | 2,479 \$ | |
| Total public works | \$ | 441,250 | · | 490,928 \$ | 513,007 \$ | (22,079) |
| Health and welfare: | | | | | | |
| Welfare: | | | | | | |
| Property tax relief for the elderly | | | | | | |
| and handicapped | \$ | 2,800 | \$ | 2,800 \$ | 2,663 \$ | 137 |
| Piedmont Regional Dental Clinic | | 500 | | 500 | 500 | - |
| Other | | 1,200 | | 1,200 | 1,200 | - |
| Donations - COVID funding | _ | - | | 18,000 | 18,000 | - |
| Total welfare | \$ | 4,500 | \$ | 22,500 \$ | 22,363 \$ | 137 |
| | | | | | | |

| Fund, Function, Activity and Elements | | Original Budget | | Final Budget | | Actual | Variance with Final Budget - Positive (Negative) |
|--|----------------|--------------------|-----|-----------------|------------|-----------|---|
| General Fund: (Continued) | | | | | | | |
| Parks, recreation, and cultural: | | | | | | | |
| Parks and recreation: | | | | | | | |
| Gordonsville little league | \$ | 2,000 | \$ | 2,000 | \$ | 1,849 \$ | |
| 5K event | | 1,000 | | 1,000 | | - | 1,000 |
| Orange County parks and rec | | 600 | | 600 | | 600 | - |
| Woodberry Cemetery calendar fund | | 1,000 | | 1,000 | | 1,000 | - |
| Total parks and recreation | \$ | 4,600 | \$ | 4,600 | \$ | 3,449 | 5 1,151 |
| Cultural enrichment: | | | | | | | |
| Historic Gordonsville | \$ | 2,250 | \$ | 2,250 | \$ | 2,250 \$ | - S |
| Visitor's Center | | 43,700 | | 45,249 | | 40,022 | 5,227 |
| The Journey through Hollowed Ground | | 500 | | 500 | | 500 | - |
| Fried Chicken Festival | | 2,700 | | 2,700 | | 85 | 2,615 |
| Total cultural enrichment | \$ | 49,150 | \$ | 50,699 | \$ | 42,857 | 5 7,842 |
| Total parks, recreation, and cultural | \$ | 53,750 | \$ | 55,299 | \$ | 46,306 | 8,993 |
| Community development: | | | | | | | |
| Planning and community development: | | | | | | | |
| Other community development | Ş | 1,200 | S | 1,200 | S | 1,200 \$ | - |
| Donations - COVID funding | • | - | 1 | 10,000 | | 10,000 | - |
| Total planning and community development | \$ | 1,200 | \$ | 11,200 | \$ | 11,200 \$ | - |
| Total community development | \$ | 1,200 | \$ | 11,200 | \$ | 11,200 | ; - |
| Capital projects: | | | | | | | |
| Other capital projects | Ş | 486,550 | Ś | 496,550 | S | 38,449 | 458,101 |
| Public works facility | • | 23,000 | 1 | 13,500 | | 16,451 | (2,951) |
| Depot - Town | | 64,300 | | 178,462 | | 151,177 | 27,285 |
| Depot - VDOT | | 227,000 | | 227,000 | | 241,339 | (14,339) |
| Public works vehicles and equipment | | 2,500 | | 2,500 | | 2,512 | (12) |
| Sidewalks | | 6,100 | | 7,540 | | 1,460 | 6,080 |
| Equipment purchase | | 10,250 | | 10,250 | | 12,794 | (2,544) |
| Safe routes to school | | 112,800 | | 112,800 | | 26,599 | 86,201 |
| Total capital projects | \$ | 932,500 | \$ | 1,048,602 | \$ | 490,781 | |
| Debt service: | _ | | | | | | |
| Principal retirement | Ş | 114,070 | c | 114,070 | c | 138,466 | (24,396) |
| Interest and other fiscal charges | Ļ | 32,050 | Ļ | 32,050 | ç | 48,801 | (16,751) |
| Total debt service | ş- | 146,120 | -ş- | 146,120 | ş- | 187,267 | |
| Total General Fund | \$ | 2,663,420 | | 3,364,075 | • •• | 2,517,231 | |
| | = | | | | | , , | |
| Special Revenue Fund: Pool Fund: | | | | | | | |
| Parks and Recreation: | | | | | | | |
| Swimming Pool | \$ | 44,870 | ċ | 44,870 | ċ | 5,314 | 39,556 |
| | _ | | | | | | |
| Total Pool Fund | \$_ | 44,870 | \$ | 44,870 | \$ | 5,314 \$ | 39,556 |
| Total Primary Government | \$_ | 2,708,290 | \$ | 3,408,945 | \$ | 2,522,545 | 886,400 |

Compliance



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Gordonsville, Virginia as of and for the year ended June 30, 2021, 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 February 10, 2022.

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) as a basis for designing 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 financial statements. 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 Farren Cox Associates

Charlottesville, Virginia February 10, 2022