

**TOWN OF ORANGE, VIRGINIA**  
**FINANCIAL REPORT**  
**YEAR ENDED JUNE 30, 2014**

# TOWN OF ORANGE, VIRGINIA

## DIRECTORY OF OFFICIALS

### COUNCIL

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Henry Lee Carter	Harry C. "Chuck" Mason, Jr., Mayor	Frederick W. "Rick" Sherman, Jr.
Martha Roby	Harry C. Hopkins, Jr., Vice-Mayor	

### OFFICIALS

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Greg Woods  
Greg Woods  
Wendy J. Chewning

Town Manager  
Director of Finance  
Town Clerk

TOWN OF ORANGE, VIRGINIA

FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2014

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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## Independent Auditors' Report

To the Honorable Members of the Town Council  
Town of Orange, Virginia

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Town of Orange, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town'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.

#### *Auditors' 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, and each major fund, of the Town of Orange, Virginia, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of pension and OPEB funding progress, on pages 3-8, 50 and 51 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, which 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 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town of Orange, Virginia's basic financial statements. The supporting schedules and other statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supporting schedules are the responsibility of management and were derived from and relate 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 supporting schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The other statistical information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated Draft, 2014, on our consideration of Town of Orange, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Orange, Virginia's internal control over financial reporting and compliance.

Charlottesville, Virginia  
Draft, 2014



## Management's Discussion and Analysis

As management of the Town of Orange (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2014. Please read it in conjunction with the Town's basic financial statements, which follow this section.

### Financial Highlights

- The assets of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$23.5 million (*net position*). Of this amount, \$3.4 million (*unrestricted net position*) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$504,234, of which the governmental activities accounted for an \$304,826 increase and business-type activities accounted for an increase of \$199,408.
- The total ending fund balance for the Town's governmental funds is \$3.6 million, a decrease of \$471,247 over the prior year. This ending fund balance of the general fund was \$3.4 million and is equal to 66% of the Town's fiscal year 2014 general fund expenditures.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3.4 million, or 77% of general fund expenditures less any capital outlay projects funded with bond proceeds.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### Government-wide financial statements

The *government-wide financial statements* are designed to provide the readers with a broad overview of the Town's finances, in a manner similar to a private-sector business. The *statement of net position* presents information on all of the Town's assets, liabilities, and deferred inflows/outflows with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of how the financial position of the Town may be changing. Increases in net position may indicate an improved financial position; however, even decreases in net position may reflect a changing manner in which the Town may have used previously accumulated funds.

The statement of activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, (e.g., uncollected taxes and earned but unused vacation leave).

## Overview of the Financial Statements: (Continued)

### Government-wide financial statements: (Continued)

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government administration, public safety, and public works. The business-type activities are for public utilities. The government-wide financial statements can be found on pages 9 through 11 of this report.

### Fund financial statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town maintains three governmental funds, a General Fund, a Special Revenue Fund, and a Capital Projects Fund. The Town adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 12 through 15 of this report.

The Town maintains one type of *Proprietary Fund*. The Town uses *enterprise funds*, which are used to report the same functions presented as *business-type activities* in the government-wide financial statements, to account for its public utilities. The basic proprietary fund financial statements can be found on pages 16 through 18 of this report.

### Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19 through 49 of this report.

### Other information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning budgetary comparisons for the general fund and the schedule of funding in progress relating to the Town's participation in its defined benefit pension plan. Required supplementary information can be found on pages 50 and 51 of this report.



## Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets and deferred outflows exceeded liabilities and deferred inflows of resources by \$23.5 million at the close of the most recent fiscal year. A large portion of the Town's net position (\$18.6 million, 82% of total) reflects its investment in capital assets (e.g., land, buildings, improvements, infrastructure machinery and equipment, and vehicles) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities (i.e., the Town's investment in capital assets are of a permanent nature as assets acquired are generally not sold or otherwise disposed of during their useful life).

The following table summarizes the Town's Statement of Net Position:

Town of Orange, Virginia  
Summary of Net Position  
As of June 30, 2014

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 4,132,835	\$ 4,734,157	\$ 922,348	\$ 474,491	\$ 5,055,183	\$ 5,208,648
Capital assets	5,908,870	5,201,931	32,650,003	33,570,244	38,558,873	38,772,175
Total assets	\$ 10,041,705	\$ 9,936,088	\$ 33,572,351	\$ 34,044,735	\$ 43,614,056	\$ 43,980,823
Deferred outflows of resources	\$ 94,372	\$ -	\$ -	\$ -	\$ 94,372	\$ -
Long-term liabilities						
outstanding	\$ 1,898,658	\$ 1,909,696	\$ 17,614,006	\$ 18,277,591	\$ 19,512,664	\$ 20,187,287
Other liabilities	210,269	308,564	135,581	143,788	345,850	452,352
Total liabilities	\$ 2,108,927	\$ 2,218,260	\$ 17,749,587	\$ 18,421,379	\$ 19,858,514	\$ 20,639,639
Deferred inflows of resources	\$ 310,870	\$ 306,374	\$ -	\$ -	\$ 310,870	\$ 306,374
Net investment in capital assets	\$ 4,248,822	\$ 3,493,408	\$ 15,130,074	\$ 15,375,099	\$ 19,378,896	\$ 18,868,507
Restricted	110,273	110,059	-	-	110,273	110,059
Unrestricted	3,357,185	3,807,987	692,690	248,257	4,049,875	4,056,244
Total net position, as restated	\$ 7,716,280	\$ 7,411,454	\$ 15,822,764	\$ 15,623,356	\$ 23,539,044	\$ 23,034,810

At the end of the current fiscal year, the Town is able to report positive balances in all categories of net position, both for the Town as a whole, as well as for its separate governmental and business-type activities.

As noted previously, the Town's overall (government and business-type activities) net position increased by \$504,234 during the current fiscal year. The overall increase is attributed to an increase in charges for services in the business-type activities and an overall decrease in expenses in both the governmental and business-type funds.

## Government-Wide Financial Analysis: (Continued)

Governmental activities increased the Town's net position by \$304,826. The following table summarizes the Town's Statement of Activities:

Town of Orange, Virginia Changes in Net Position As of June 30, 2014						
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 497,276	\$ 465,999	\$ 2,895,299	\$ 2,779,249	\$ 3,392,575	\$ 3,245,248
Operating grants and contributions	970,366	895,487	-	-	970,366	895,487
Capital grants and contributions	413,670	11,164	34,505	196,023	448,175	207,187
General revenues:						
Property taxes	689,485	741,887	-	-	689,485	741,887
Other taxes	2,155,737	2,097,575	-	-	2,155,737	2,097,575
Unrestricted revenues from the use of money and property	12,138	17,034	1,519	2,632	13,657	19,666
Miscellaneous	32,723	24,881	172,761	67,771	205,484	92,652
Grants and contributions not restricted to specific programs	411,818	414,664	-	-	411,818	414,664
Gain on sale of surplus property	17,877	9,748	-	-	17,877	9,748
Total revenues	\$ 5,201,090	\$ 4,678,439	\$ 3,104,084	\$ 3,045,675	\$ 8,305,174	\$ 7,724,114
Expenses:						
General government administration	\$ 854,920	\$ 775,161	\$ -	\$ -	\$ 854,920	\$ 775,161
Public safety	1,510,652	1,455,083	-	-	1,510,652	1,455,083
Public works	1,736,332	1,699,846	-	-	1,736,332	1,699,846
Parks, recreation and culture	52,195	71,913	-	-	52,195	71,913
Community development	221,693	237,908	-	-	221,693	237,908
Interest on long-term obligations	14,114	67,167	-	-	14,114	67,167
Water fund	-	-	1,449,285	1,564,437	1,449,285	1,564,437
Sewer fund	-	-	1,961,749	1,795,538	1,961,749	1,795,538
Total expenses	\$ 4,389,906	\$ 4,307,078	\$ 3,411,034	\$ 3,359,975	\$ 7,800,940	\$ 7,667,053
Increase (decrease) in net position before transfers and capital contributions	\$ 811,184	\$ 371,361	\$ (306,950)	\$ (314,300)	\$ 504,234	\$ 57,061
Transfers	\$ (506,358)	\$ 506,358	\$ 506,358	\$ (506,358)	\$ -	\$ -
Increase (decrease) in net position	\$ 304,826	\$ 877,719	\$ 199,408	\$ (820,658)	\$ 504,234	\$ 57,061
Net position-beginning of year, as restated	\$ 7,411,454	\$ 6,533,735	\$ 15,623,356	\$ 16,444,014	\$ 23,034,810	\$ 22,977,749
Net position-end of year	\$ 7,716,280	\$ 7,411,454	\$ 15,822,764	\$ 15,623,356	\$ 23,539,044	\$ 23,034,810

Business-type activities increased the Town's net position by \$199,408. Similar to how changes arise in the governmental activities, business-type activities also experience budgetary differences; however, as a public utility function comprises the Town's business-type activities there is more of a direct correlation to the revenues generated relative to the expenses incurred because of service demands.

In fiscal year 2013, the Town transferred funds from business-type activities to governmental activities. This money was returned to business-type activities in fiscal year 2014. This has led to changes in the increase (decrease) of each activity's net position in those fiscal years.

## Financial Analysis of the Town's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Government Fund:** The focus of the Town's governmental fund is to provide information on near-term inflows, outflows, and the balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

In fiscal year 2014, the General Fund's operating revenues exceeded expenditures by \$35,539.

At the end of the current fiscal year, unassigned fund balance of the General Fund was \$3,362,635 while the restricted fund balance was \$2,392. The fund balance restriction represents unspent proceeds from Asset Forfeiture of \$2,392. Nonspendable fund balance was \$34,623 and consisted entirely of prepaid items.

**Proprietary Fund:** The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the water and sewer funds at the end of the year amounted to \$692,690. The total net position increased by \$199,408 from the prior year.

### General Fund Budgetary Highlights

During the fiscal year, the Town's actual revenue was under budget by \$195,123 with the shortage generated by miscellaneous revenue. Expenditures were under budget by \$230,662.

### Capital Asset and Debt Administration

**Capital assets:** The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2014, amounts to \$38.6 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and machinery and equipment as well as construction in progress.

#### Town of Orange, Virginia Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 882,289	\$ 750,038	\$ 248,292	\$ 248,292	\$ 1,130,581	\$ 998,330
Wastewater treatment plant	-	-	22,713,421	23,196,686	22,713,421	23,196,686
Buildings	2,291,777	2,291,641	2,510,510	2,545,234	4,802,287	4,836,875
Equipment and improvements	359,635	382,245	4,189,137	4,487,404	4,548,772	4,869,649
Road systems	2,242,335	1,482,614	-	-	2,242,335	1,482,614
Water storage facility	-	-	2,988,643	3,092,628	2,988,643	3,092,628
Construction in progress	132,834	295,393	-	-	132,834	295,393
Total	\$ 5,908,870	\$ 5,201,931	\$ 32,650,003	\$ 33,570,244	\$ 38,558,873	\$ 38,772,175

Additional information on the Town's capital assets can be found in Note 4 on pages 29 through 31 of this report.

## Capital Asset and Debt Administration: (Continued)

**Long-term obligations:** At the end of the current fiscal year, the Town had total outstanding debt of \$19.5 million and details are summarized in the following table:

Town of Orange, Virginia  
Outstanding Debt  
For the Year Ended June 30, 2014

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Bonds Payable:						
General obligation bonds	\$ 1,553,350	\$ 1,560,150	\$ 3,561,650	\$ 3,623,387	\$ 5,115,000	\$ 5,183,537
Revenue bonds	-	-	13,958,280	14,571,758	13,958,280	14,571,758
Capital lease	106,698	148,373	-	-	106,698	-
Other post-employment benefits	110,292	85,437	31,708	24,563	142,000	110,000
Compensated absences	128,318	115,736	62,369	57,883	190,687	173,619
Total	<u>\$ 1,898,658</u>	<u>\$ 1,909,696</u>	<u>\$ 17,614,007</u>	<u>\$ 18,277,591</u>	<u>\$ 19,512,665</u>	<u>\$ 20,038,914</u>

Debt associated with governmental activities decreased by \$11,038 while debt associated with business-type activities decreased by \$663,584.

The Town is subject to a statutory debt limitation. The legal debt margin is limited to 10% of total assessed value. The margin is computed as all bonded debt and long-term notes except for enterprise indebtedness over total assessed value of taxed real property. The Town was in compliance with debt limitation as of June 30, 2014.

Additional information on the Town's long-term obligation and compliance can be found in Note 5.

### Economic Factors and Next Year's Budgets and Rates

In November 2011, Town Council adopted a \$.05 per gallon sewer usage rate increase effective January 1, 2012, a second \$.05 per gallon sewer usage rate increase effective July 1, 2012, and a third \$.05 per gallon sewer usage rate increase effective July 1, 2013.

Real estate assessments are conducted by the County of Orange every four years. Assessments were done in 2011 effective with tax year 2012 resulting in an equalization of rates from \$0.114 per \$100 of assessed value to \$0.145 per \$100 of assessed value. In 2014 real estate rates were increased from \$0.145 per \$100 assessed value to \$0.155 per \$100 of assessed value.

In July 2013, the Town refinanced the 2004 VML/VACo and 2005 Rural Development Bonds "RDA" obligations. The refinancing of the 2004 VML/VACo bond decreased the interest rate from a variable 4.00% to 4.375% to a fixed 2.05%, without changing the term of the loan. The 2005 RDA loan decreased the interest rate from a fixed 4.125% to a fixed 2.95%, but also shortened the term from 32 years to 20 years. The reduction in the interest rates reduced payments sufficiently to offset the increase in payments for shortening the term on the RDA loan, leaving minor annual impacts to the cash flow. VML/VACo refinanced both loans, which were consolidated into one payment stream.

The decrease in interest payments also reduced the Town of Gordonsville's obligation to the Town of Orange to pay for a portion of the interest on the Raw Water Storage Basin, as well as, reducing the obligation from 32 years to 20 years.

### Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, Town of Orange, 119 Bellevue Avenue, Orange, VA 22960.

## **Basic Financial Statements**

## **Government-wide Financial Statements**

Statement of Net Position  
As of June 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,032,115	\$ 503,062	\$ 3,535,177
Receivables (net of allowance for uncollectibles):			
Taxes receivable	281,429	-	281,429
Other local receivables	132,196	45,872	178,068
Accounts receivable	-	427,944	427,944
Internal balances	160,000	(160,000)	-
Due from other governmental units	382,199	27,784	409,983
Prepaid expenses	34,623	3,801	38,424
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	110,273	73,885	184,158
Capital assets (net of accumulated depreciation):			
Land	882,289	248,292	1,130,581
Wastewater treatment plant	-	22,713,421	22,713,421
Buildings	2,291,777	2,510,510	4,802,287
Equipment and improvements	359,635	4,189,137	4,548,772
Water storage facility	-	2,988,643	2,988,643
Road systems	2,242,335	-	2,242,335
Construction in progress	132,834	-	132,834
<b>Total assets</b>	<b>\$ 10,041,705</b>	<b>\$ 33,572,351</b>	<b>\$ 43,614,056</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	\$ 94,372	\$ -	\$ 94,372
<b>LIABILITIES</b>			
Accounts payable	\$ 177,546	\$ 18,431	\$ 195,977
Accrued liabilities	18,748	-	18,748
Accrued interest payable	13,975	43,265	57,240
Deposits held	-	73,885	73,885
Long-term liabilities:			
Due within one year	165,716	835,886	1,001,602
Due in more than one year	1,732,942	16,778,120	18,511,062
<b>Total liabilities</b>	<b>\$ 2,108,927</b>	<b>\$ 17,749,587</b>	<b>\$ 19,858,514</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue-property taxes	\$ 310,870	\$ -	\$ 310,870
<b>NET POSITION</b>			
Net investment in capital assets	\$ 4,248,822	\$ 15,130,074	\$ 19,378,896
Restricted for:			
Asset forfeiture	2,392	-	2,392
Taylor park fund	107,881	-	107,881
Unrestricted	3,357,185	692,690	4,049,875
<b>Total net position</b>	<b>\$ 7,716,280</b>	<b>\$ 15,822,764</b>	<b>\$ 23,539,044</b>

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

TOWN OF ORANGE, VIRGINIA

Statement of Activities

For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 854,920	\$ 303,288	\$ -	\$ -
Public safety	1,510,652	85,679	103,533	-
Public works	1,736,332	107,498	861,833	413,670
Parks, recreation, and cultural	52,195	-	5,000	-
Community development	221,693	811	-	-
Interest on long-term debt	14,114	-	-	-
Total governmental activities	\$ 4,389,906	\$ 497,276	\$ 970,366	\$ 413,670
Business-type activities:				
Water	\$ 1,449,285	\$ 1,282,238	\$ -	\$ 10,215
Sewer	1,961,749	1,613,061	-	24,290
Total business-type activities	\$ 3,411,034	\$ 2,895,299	\$ -	\$ 34,505
Total primary government	\$ 7,800,940	\$ 3,392,575	\$ 970,366	\$ 448,175

General revenues:

General property taxes

Other local taxes:

Local sales and use tax

Consumers' utility tax

Bank franchise tax

Restaurant food tax

Communications tax

Tobacco tax

Other local taxes

Unrestricted revenues from use of money and property

Miscellaneous

Grants and contributions not restricted to specific programs

Gain on sale of surplus property

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning, as restated

Net position - ending

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



Exhibit 2

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (551,632)	\$ -	\$ (551,632)
(1,321,440)	-	(1,321,440)
(353,331)	-	(353,331)
(47,195)	-	(47,195)
(220,882)	-	(220,882)
(14,114)	-	(14,114)
<u>\$ (2,508,594)</u>	<u>\$ -</u>	<u>\$ (2,508,594)</u>
\$ -	\$ (156,832)	\$ (156,832)
<u>-</u>	<u>(324,398)</u>	<u>(324,398)</u>
\$ -	\$ (481,230)	\$ (481,230)
<u>\$ (2,508,594)</u>	<u>\$ (481,230)</u>	<u>\$ (2,989,824)</u>
\$ 689,485	\$ -	\$ 689,485
355,692	-	355,692
233,804	-	233,804
174,215	-	174,215
1,032,790	-	1,032,790
177,719	-	177,719
99,260	-	99,260
82,257	-	82,257
12,138	1,519	13,657
32,723	172,761	205,484
411,818	-	411,818
17,877	-	17,877
(506,358)	506,358	-
<u>\$ 2,813,420</u>	<u>\$ 680,638</u>	<u>\$ 3,494,058</u>
304,826	199,408	504,234
<u>7,411,454</u>	<u>15,623,356</u>	<u>23,034,810</u>
<u>\$ 7,716,280</u>	<u>\$ 15,822,764</u>	<u>\$ 23,539,044</u>

## **Fund Financial Statements**

Balance Sheet  
Governmental Funds  
As of June 30, 2014

	General	Taylor Park	Capital Projects	Total
<b>ASSETS</b>				
Cash and cash equivalents (Note 1)	\$ 2,913,165	\$ -	\$ 118,950	\$ 3,032,115
Receivables (net of allowance for uncollectibles):				
Taxes receivable (Note 1)	281,429	-	-	281,429
Other local revenues	132,196	-	-	132,196
Due from other funds	160,000	-	-	160,000
Due from other governmental units (Note 3)	381,256	-	943	382,199
Prepaid expenses	34,623	-	-	34,623
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents	2,392	107,881	-	110,273
Total assets	<u>\$ 3,905,061</u>	<u>\$ 107,881</u>	<u>\$ 119,893</u>	<u>\$ 4,132,835</u>
<b>LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 176,746	\$ -	\$ 800	\$ 177,546
Accrued liabilities	18,748	-	-	18,748
Total liabilities	<u>\$ 195,494</u>	<u>\$ -</u>	<u>\$ 800</u>	<u>\$ 196,294</u>
Deferred inflows of resources:				
Unavailable revenue-property taxes	<u>\$ 309,917</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 309,917</u>
Fund balances:				
Nonspendable:				
Prepaid items	\$ 34,623	\$ -	\$ -	\$ 34,623
Restricted:				
Taylor Park fund	-	107,881	-	107,881
Asset forfeiture	2,392	-	-	2,392
Assigned:				
Capital projects	-	-	119,093	119,093
Unassigned	<u>3,362,635</u>	<u>-</u>	<u>-</u>	<u>3,362,635</u>
Total fund balances	<u>\$ 3,399,650</u>	<u>\$ 107,881</u>	<u>\$ 119,093</u>	<u>\$ 3,626,624</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 3,905,061</u>	<u>\$ 107,881</u>	<u>\$ 119,893</u>	<u>\$ 4,132,835</u>

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

Reconciliation of the Balance Sheet of Governmental Funds  
 To the Statement of Net Position  
 As of June 30, 2014

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	3,626,624	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			5,908,870
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.			
Unavailable revenue related to property taxes			(953)
Interest paid on long-term debt is not accrued in governmental funds, but rather is recognized when paid.			(13,975)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.			
General obligations bonds	\$	(1,553,350)	
Deferred charge on refunding		94,372	
Capital lease		(106,698)	
Compensated absences		(128,318)	
Other post- employments benefits		(110,292)	(1,804,286)
Net position of governmental activities	\$		<u>7,716,280</u>

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

## Statement of Revenues, Expenditures, and Changes in Fund Balances

## Governmental Funds

For the Year Ended June 30, 2014

	General	Taylor Park	Capital Projects	Total
<b>REVENUES</b>				
General property taxes	\$ 738,725	\$ -	\$ -	\$ 738,725
Other local taxes	2,155,737	-	-	2,155,737
Permits, privilege fees, and regulatory licenses	811	-	-	811
Fines and forfeitures	85,679	-	-	85,679
Revenue from the use of money and property	11,658	214	266	12,138
Charges for services	107,498	-	-	107,498
Miscellaneous	50,600	-	-	50,600
Recovered costs	13,723	-	-	13,723
Revenue from internal sources	303,288	-	-	303,288
Intergovernmental revenues:				
Commonwealth	1,686,080	-	25,633	1,711,713
Federal	-	-	84,141	84,141
Total revenues	\$ 5,153,799	\$ 214	\$ 110,040	\$ 5,264,053
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 652,017	\$ -	\$ -	\$ 652,017
Public safety	1,421,949	-	-	1,421,949
Public works	1,802,964	-	-	1,802,964
Parks, recreation, and cultural	22,495	-	-	22,495
Community development	133,579	-	-	133,579
Nondepartmental	181,148	-	-	181,148
Capital outlay	729,606	-	115,260	844,866
Debt service:				
Principal retirement	147,425	-	-	147,425
Interest and other fiscal charges	27,077	-	-	27,077
Total expenditures	\$ 5,118,260	\$ -	\$ 115,260	\$ 5,233,520
Excess (deficiency) of revenues over (under) expenditures	\$ 35,539	\$ 214	\$ (5,220)	\$ 30,533
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ (506,358)	\$ -	\$ -	\$ (506,358)
Proceeds of refunding bond issuance	1,445,250	-	-	1,445,250
Payment to bond escrow agent	(1,440,672)	-	-	(1,440,672)
Total other financing sources (uses)	\$ (501,780)	\$ -	\$ -	\$ (501,780)
Net change in fund balances	\$ (466,241)	\$ 214	\$ (5,220)	\$ (471,247)
Fund balances - beginning	3,865,891	107,667	124,313	4,097,871
Fund balances - ending	\$ 3,399,650	\$ 107,881	\$ 119,093	\$ 3,626,624

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

Reconciliation of Statement of Revenues,  
Expenditures, and Changes in Fund Balances of Governmental Funds  
To the Statement of Activities  
For the Year Ended June 30, 2014

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

Net change in fund balances - total governmental funds	\$	(471,247)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Details supporting this adjustment are as follows:

Capital outlay	\$ 1,080,789	
Depreciation expense	<u>(373,849)</u>	706,940

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(49,240)
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. Details supporting this adjustment are as follows:

Principal retired on general obligation bonds	147,425	
Payment to bond escrow agent	1,440,672	
Proceeds of refunding bond issuance	<u>(1,445,250)</u>	142,847

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.

(Increase)/decrease in compensated absences	(12,582)	
(Increase)/decrease in other post-employment benefits	(24,855)	
(Increase)/decrease in accrued interest payable	<u>12,963</u>	<u>(24,474)</u>

Change in net position of governmental activities	\$	<u><u>304,826</u></u>
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The notes to the financial statements are an integral part of this statement.

Statement of Net Position  
 Proprietary Funds  
 As of June 30, 2014

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 671,297	\$ -	\$ 671,297
Accounts receivable (net of allowances for uncollectibles)	187,903	240,041	427,944
Other receivables	43,195	2,677	45,872
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	73,885	-	73,885
Due from other governmental units	1,040	26,744	27,784
Prepaid expenses	1,322	2,479	3,801
Total current assets	\$ 978,642	\$ 271,941	\$ 1,250,583
Noncurrent assets:			
Capital assets (net of accumulated depreciation):			
Land	\$ 160,251	\$ 88,041	\$ 248,292
Waste water treatment plant	-	22,713,421	22,713,421
Buildings	667,385	1,843,125	2,510,510
Equipment and improvements	2,492,489	1,696,648	4,189,137
Water storage facility	2,988,643	-	2,988,643
Total capital assets, net	\$ 6,308,768	\$ 26,341,235	\$ 32,650,003
Total assets	\$ 7,287,410	\$ 26,613,176	\$ 33,900,586
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued expenses	\$ 5,481	\$ 12,950	\$ 18,431
Accrued interest payable	25,545	17,720	43,265
Bank overdraft payable	-	168,235	168,235
Deposits held	73,885	-	73,885
Compensated absences, current portion	2,668	3,569	6,237
Bonds payable, current portion	102,400	727,249	829,649
Total current liabilities	\$ 209,979	\$ 929,723	\$ 1,139,702
Noncurrent liabilities:			
Bonds payable, net of current portion	\$ 2,104,199	\$ 14,586,081	\$ 16,690,280
Due to other funds	160,000	-	160,000
OPEB liability	16,060	15,648	31,708
Compensated absences, net of current portion	24,013	32,119	56,132
Total noncurrent liabilities	\$ 2,304,272	\$ 14,633,848	\$ 16,938,120
Total liabilities	\$ 2,514,251	\$ 15,563,571	\$ 18,077,822
<b>NET POSITION</b>			
Net investment in capital assets	\$ 4,102,169	\$ 11,027,905	\$ 15,130,074
Unrestricted	670,990	21,700	692,690
Total net position	\$ 4,773,159	\$ 11,049,605	\$ 15,822,764
Total liabilities and net position	\$ 7,287,410	\$ 26,613,176	\$ 33,900,586

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

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

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
<b>OPERATING REVENUES:</b>			
Charges for services:			
Charges for services and connection fees	\$ 1,282,238	\$ 1,613,061	\$ 2,895,299
Miscellaneous	38,025	134,736	172,761
Total operating revenues	\$ 1,320,263	\$ 1,747,797	\$ 3,068,060
<b>OPERATING EXPENSES:</b>			
Personal services	\$ 315,565	\$ 366,880	\$ 682,445
Fringe benefits	133,287	134,809	268,096
Contractual services/maintenance	44,390	75,027	119,417
Materials & supplies	243,825	228,474	472,299
Utilities	136,356	147,971	284,327
Internal services	243,738	138,180	381,918
Other charges	6,521	12,849	19,370
Depreciation	286,630	671,577	958,207
Total operating expenses	\$ 1,410,312	\$ 1,775,767	\$ 3,186,079
Operating income (loss)	\$ (90,049)	\$ (27,970)	\$ (118,019)
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Interest earned	\$ 1,500	\$ 19	\$ 1,519
Interest and fiscal charges	(38,973)	(185,982)	(224,955)
Total nonoperating revenues (expenses)	\$ (37,473)	\$ (185,963)	\$ (223,436)
Income (loss) before contributions and transfers	\$ (127,522)	\$ (213,933)	\$ (341,455)
Capital contributions and grants	\$ 10,215	\$ 24,290	\$ 34,505
Capital transfers in/(out)	123,872	382,486	506,358
Change in net position	\$ 6,565	\$ 192,843	\$ 199,408
Net Position at Beginning of Year, as restated	4,766,594	10,856,762	15,623,356
Net Position at End of Year	\$ 4,773,159	\$ 11,049,605	\$ 15,822,764

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



Statement of Cash Flows  
 Proprietary Funds  
 For the Year Ended June 30, 2014

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 1,272,976	\$ 1,753,777	\$ 3,026,753
Payments to suppliers	(688,074)	(985,524)	(1,673,598)
Payments to and on behalf of employees	(442,095)	(496,815)	(938,910)
Net cash provided by (used for) operating activities	\$ 142,807	\$ 271,438	\$ 414,245
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets	\$ (32,987)	\$ (4,975)	\$ (37,962)
Capital and debt related transfers	123,872	382,486	506,358
Capital contributions	10,215	24,290	34,505
Proceeds from the issuance of debt	2,214,000	1,260,750	3,474,750
Principal payments on bonds	(2,390,296)	(1,759,674)	(4,149,970)
Interest payments	(43,805)	(174,334)	(218,139)
Net cash provided by (used for) capital and related financing activities	\$ (119,001)	\$ (271,457)	\$ (390,458)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and dividends received	\$ 1,500	\$ 19	\$ 1,519
Net increase (decrease) in cash and cash equivalents	\$ 25,306	\$ -	\$ 25,306
Cash and cash equivalents - beginning	719,876	-	719,876
Cash and cash equivalents- ending	\$ 745,182	\$ -	\$ 745,182
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>			
Operating income (loss)	\$ (90,049)	\$ (27,970)	\$ (118,019)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation expense	286,630	671,577	958,207
Changes in operating assets and liabilities:			
(Increase) decrease in receivables	(48,683)	5,980	(42,703)
(Increase) decrease in due from other governmental units	(1,040)	(26,744)	(27,784)
(Increase) decrease in prepaid expenses	(1,322)	(2,479)	(3,801)
Increase (decrease) in accounts payable	(10,882)	(5,537)	(16,419)
(Increase) decrease in bank overdraft payable	-	(348,263)	(348,263)
(Increase) decrease in deposits held	1,396	-	1,396
Increase (decrease) in OPEB liability	3,619	3,526	7,145
Increase (decrease) in compensated absences	3,138	1,348	4,486
Net cash provided by (used for) operating activities	\$ 142,807	\$ 271,438	\$ 414,245

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

## TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2014

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

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#### A. Financial Reporting Entity

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for general purpose financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organizations governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present the Town of Orange, Virginia.

##### Individual Component Unit Disclosures

The Town has no component units.

##### Related Organizations

The Town has no related organizations.

##### Jointly Governed Organizations

The Town has no jointly governed organizations.

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

Government-wide financial statements - The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities but also capital assets and long-term liabilities (such as buildings and general obligation debt).

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 primary government and its components unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

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

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

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

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. Under the GASB 34 reporting model, governments provide budgetary comparison information in their annual reports, including the original budget and a comparison of final budget and actual results.

**C. Measurement Focus, 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.

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.

The government-wide statement of activities reflect both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) which are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity.

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

## TOWN OF ORANGE, VIRGINIA

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

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

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

In the fund financial statements, financial transactions and accounts of the Town are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

1. Governmental Funds account for the expendable financial resources, other than those accounted for in Proprietary and Trust Funds. The Governmental Fund measurement focus is on determination of financial position and changes in financial position, rather than upon net income determination. The individual Governmental Funds are:

- a. General Fund

The General Fund is the primary operating fund of the Town. This fund is used to account for and report all financial resources except those required to be accounted for and reported in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for services, and interest income. The General Fund is considered a major fund for reporting purposes.

- b. Capital Projects Fund

The Capital Projects Fund accounts for and reports financial resources that are restricted, committed or assigned to expenditure for capital outlays, except for those financed by proprietary funds or for assets held in trust for individuals, private organizations, or other governments. The Capital Projects Fund is considered a major fund.

- c. Special Revenue Funds

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. Currently, the Taylor Park Fund is accounted for as a special revenue fund.

2. Proprietary Funds account for activities similar to those found in the private business sector. The measurement focus is upon determination of net income. Proprietary Funds consist of Enterprise Funds.

#### Enterprise Funds

Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the Town is that the cost of providing services to the general public be financed or recovered through user charges. Currently the Town's Water and Sewer Funds are accounted for as enterprise funds.

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

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

Proprietary funds distinguish operating revenues and expenses from *nonoperating items*. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds are charges to customers for sales and services. The enterprise funds also recognize 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 and internal service 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.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**D. Budgets and Budgetary Accounting**

The following procedures are used by the Town in establishing the budgetary data reflected in the financial statements:

1. Prior to March 30, the Town Manager submits to the 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 hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund level. The appropriation for each fund can be revised only by the Town Council.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) except that enterprise fund budgets are adopted on the modified accrual basis of accounting.
7. Appropriations lapse on June 30 for all Town units.
8. All budgetary data presented in the accompanying financial statements is as amended and approved by Town Council.
9. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is not part of the Town's accounting system.

## TOWN OF ORANGE, VIRGINIA

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

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

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

Excess expenditures over appropriations:

<u>Fund</u>	<u>Excess of Expenditures Over Appropriations</u>
General	
Public Safety	\$ 17,535
Debt Service	18,601
	<hr/>
Total	\$ 36,136
	<hr/> <hr/>

#### E. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e. the current portion of interfund loans).

All trade and property tax receivables are shown net of an allowance for uncollectibles. The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. As of June 30, 2014, the allowances amounted to \$95,534 for property taxes, \$55,698 for water charges and \$76,471 for sewer charges.

#### F. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short term highly liquid investments that are both readily convertible to known amounts of cash and investments with original maturities of 90 days or less.

Cash and cash equivalents are restricted for law enforcement asset forfeiture monies, the Taylor Park fund for use as a public park, performance bonds held, and deposits held for others.

#### G. Restricted Assets

Proceeds from bonds issued for general and enterprise funds are classified as restricted assets on the Balance Sheet and Statement of Net Position because their use is limited to future capital outlay. These funds are maintained in a separate bank account under the care of a trustee.

#### H. Capital Assets

Capital assets, which include property, plant and equipment, infrastructure, and road systems, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the Town as land, buildings, infrastructure, vehicles, and equipment with an initial individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

## TOWN OF ORANGE, VIRGINIA

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

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

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#### H. Capital Assets: (Continued)

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not included in the capital assets of the Government-wide statements or capitalized in the proprietary funds.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Interest attributable to capitalized assets for the year ended June 30, 2014 was immaterial.

Depreciation for capital assets is computed over the following useful lives using the straight line method.

Buildings	50 Years
Utility Plant & Lines	50 Years
Automobiles	5-7 Years
Equipment	7-10 Years
Infrastructure	75 Years

#### I. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town does not have any deferred outflows of resources as of June 30, 2014.

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

#### J. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the Statement of Activities and a long-term obligation in the Statement of Net Position. In accordance with the provisions of Governmental Accounting Standards No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement.

## TOWN OF ORANGE, VIRGINIA

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

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

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#### K. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental and 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.

#### L. Property Taxes

Real property is assessed by Orange County, Virginia at its value on January 1 and is payable semi-annually on December 5th and June 5th. Personal property taxes are assessed by Orange County, Virginia as of January 1 and are payable on December 5th. Taxes attach as an enforceable lien as of the date assessed. The Town bills and collects its own property taxes based on the assessed values provided by the County.

#### M. Use of Estimates

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

#### N. Net Position

Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

#### O. Net Position Flow Assumption

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.



## TOWN OF ORANGE, VIRGINIA

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

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

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#### P. Investments

Investments are stated at fair market value. Certificates of deposits, money market mutual funds and short-term repurchase agreements are reported in the accompanying financial statements as cash and cash equivalents.

#### Q. Fund Equity

The Town reports fund balance in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

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

Town Council establishes (and modifies or rescinds) fund balance commitments by passage of a 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).

In the general fund, the Town strives to maintain an unassigned fund balance to be used for unanticipated emergencies of approximately 20% of the actual GAAP basis expenditures and other financing sources and uses.

## TOWN OF ORANGE, VIRGINIA

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

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

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#### R. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has one type of item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position.

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

#### S. Upcoming Pronouncements

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

### NOTE 2—DEPOSITS AND INVESTMENTS:

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#### Deposits:

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

## TOWN OF ORANGE, VIRGINIA

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

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

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#### Investments:

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

#### Custodial Credit Risk (Investments):

The Town does not have an investment policy.

The Town’s investments at June 30, 2014 were held by the Town or in the Town’s name by the Town’s custodial banks.

<u>Town's Rated Debt Investments</u>	
<u>Rated Debt Investments Value</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
Local Government Investment Pool	\$ <u>8,518</u>

#### External Investment Pools:

The fair value of the positions in the external investment pools (Local Government Investment Pool) are the same as the value of the pool shares. As these pools are not SEC registered, regulatory oversight of the pools rests with the Virginia State Treasury.

### NOTE 3—DUE FROM OTHER GOVERNMENTS:

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Commonwealth of Virginia:	
Rolling stock	\$ 5
Communications tax	29,947
Auto rental tax	6,013
Highway construction	274,564
County of Orange:	
Local Sales Tax	<u>70,727</u>
Total	\$ <u>381,256</u>

**TOWN OF ORANGE, VIRGINIA**

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

**NOTE 4—CAPITAL ASSETS:**

Capital asset activity for the year ended June 30, 2014 was as follows:

	<u>Balance June 30, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2014</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 750,038	\$ 132,251	\$ -	\$ 882,289
Construction in progress	<u>295,393</u>	<u>546,177</u>	<u>(708,736)</u>	<u>132,834</u>
Total capital assets, not being depreciated	<u>\$ 991,930</u>	<u>\$ 678,428</u>	<u>\$ (708,736)</u>	<u>\$ 1,015,123</u>
Capital assets, being depreciated:				
Buildings	\$ 3,075,860	\$ -	\$ -	\$ 3,075,860
Equipment and improvements	2,265,750	267,453	(55,962)	2,477,241
Road systems	<u>2,378,972</u>	<u>955,885</u>	<u>-</u>	<u>3,334,857</u>
Total capital assets being depreciated	<u>\$ 7,720,582</u>	<u>\$ 1,223,338</u>	<u>\$ (55,962)</u>	<u>\$ 8,887,958</u>
Less accumulated depreciation for:				
Buildings	\$ (784,219)	\$ (77,718)	\$ -	\$ (861,937)
Equipment and improvements	(1,883,505)	(241,629)	55,962	(2,069,172)
Road systems	<u>(896,358)</u>	<u>(166,743)</u>	<u>-</u>	<u>(1,063,101)</u>
Total accumulated depreciation	<u>\$ (3,564,082)</u>	<u>\$ (486,090)</u>	<u>\$ 55,962</u>	<u>\$ (3,994,210)</u>
Total capital assets, being depreciated, net	<u>\$ 4,158,976</u>	<u>\$ 737,248</u>	<u>\$ -</u>	<u>\$ 4,893,748</u>
Governmental activities capital assets, net	<u><u>\$ 5,150,906</u></u>	<u><u>\$ 1,415,676</u></u>	<u><u>\$ (708,736)</u></u>	<u><u>\$ 5,908,871</u></u>

**TOWN OF ORANGE, VIRGINIA**

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

**NOTE 4—CAPITAL ASSETS: (CONTINUED)**

	Balance June 30, 2013	Additions	Retirements	Balance June 30, 2014
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 248,292	\$ -	\$ -	\$ 248,292
Total capital assets, not being depreciated	\$ 248,292	\$ -	\$ -	\$ 248,292
Capital assets, being depreciated:				
Buildings	\$ 4,439,677	\$ -	\$ -	\$ 4,439,677
Wastewater treatment plant	24,163,214	-	-	24,163,214
Equipment and improvements	10,807,704	37,962	-	10,845,666
Water storage facility	3,807,196	-	-	3,807,196
Total capital assets being depreciated	\$ 43,217,791	\$ 37,962	\$ -	\$ 43,255,753
Less accumulated depreciation for:				
Buildings	\$ (1,894,443)	\$ (85,115)	\$ -	\$ (1,979,558)
Wastewater treatment plant	(966,527)	(483,265)	-	(1,449,792)
Equipment and improvements	(6,320,301)	(294,647)	-	(6,614,948)
Water storage facility	(714,568)	(95,180)	-	(809,748)
Total accumulated depreciation	\$ (9,895,839)	\$ (958,207)	\$ -	\$ (10,854,046)
Total capital assets, being depreciated, net	\$ 33,321,952	\$ (920,245)	\$ -	\$ 32,401,707
Business-type activities capital assets, net	\$ 33,570,244	\$ (920,245)	\$ -	\$ 32,649,999

**TOWN OF ORANGE, VIRGINIA**

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

**NOTE 4—CAPITAL ASSETS: (CONTINUED)**

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government administration	\$ 145,700
Public safety	59,728
Public works	161,721
Parks, recreation and cultural	<u>6,700</u>

Total depreciation expense - governmental activities	\$ <u>373,849</u>
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Business-type activities:

Water	\$ 286,630
Sewer	<u>671,577</u>

Total depreciation expense - business-type activities	\$ <u>958,207</u>
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**NOTE 5—LONG-TERM OBLIGATIONS:**

Governmental Activities:

Changes in Long-term Obligations:

The following is a summary of long-term obligation transactions of the Town for the year ended June 30, 2014:

	<u>Balance</u> <u>June 30, 2013</u>	<u>Issuances</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2014</u>
General Obligation Bonds	\$ 1,560,150	\$ 1,445,250	\$ 1,452,050	\$ 1,553,350
Capital Lease	148,373	-	41,675	106,698
Other Post-Employment Benefits (Note 14)	85,437	24,855	-	110,292
Compensated Absences (Note 6)	<u>115,736</u>	<u>12,582</u>	<u>-</u>	<u>128,318</u>
Total	\$ <u>1,909,696</u>	\$ <u>1,482,687</u>	\$ <u>1,493,725</u>	\$ <u>1,898,658</u>

**TOWN OF ORANGE, VIRGINIA**

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

**NOTE 5—LONG-TERM OBLIGATIONS: (CONTINUED)**

Governmental Activities: (Continued)

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 152,884	\$ 87,694
2016	155,689	29,329
2017	160,852	26,170
2018	163,673	22,929
2019	138,650	19,631
2020-2024	733,200	51,184
2025	155,100	1,590
Total	<u>\$ 1,660,048</u>	<u>\$ 238,527</u>

Details of Long-term Obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
\$2,303,000 General obligation bonds issued December 29, 2004 payable in annual principal payments ranging from \$77,400 to \$148,350 and semi-annual interest payments ranging from 2.5% to 4.375%. Partially refunded in FY14; final payment due July 20, 2014.	\$ 108,100	\$ 108,100
\$1,445,250 General obligation bonds issued July 22, 2013 payable in annual principal payments beginning August 1, 2014 ranging from \$18,800 to \$155,100 and semi-annual interest payments at 2.05%. Final payment due August 1, 2024.	1,445,250	18,800
\$132,235 Capital lease dated March 14, 2013 with annual payments of \$25,852, including interest of 1.75%. Final installment due June 30, 2018.	106,698	25,984
Compensated absences (Note 6)	128,318	12,832
Other post-employment benefits (Note 14)	110,292	-
Total general long-term obligation debt	<u>\$ 1,898,658</u>	<u>\$ 165,716</u>

**TOWN OF ORANGE, VIRGINIA**

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

**NOTE 5—LONG-TERM OBLIGATIONS: (CONTINUED)**

Governmental Activities: (Continued)

The assets acquired through capital leases are as follows:

Asset:	
Equipment	\$ 180,713
Less: Accumulated depreciation	<u>(82,080)</u>
Total	<u>\$ 98,633</u>

Enterprise Activities:

Changes in Long-term Obligations:

	<u>Balance</u> <u>June 30, 2013</u>	<u>Issuances</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2014</u>
General Obligation Bonds	\$ 3,623,387	\$ 3,474,750	\$ 3,536,487	\$ 3,561,650
Revenue Bonds	14,571,758	-	613,478	13,958,280
Other Post-Employment Benefits (Note 14)	24,563	7,145	-	31,708
Compensated Absences (Note 6)	<u>57,883</u>	<u>4,486</u>	<u>-</u>	<u>62,369</u>
Total	<u>\$ 18,277,591</u>	<u>\$ 3,486,381</u>	<u>\$ 4,149,965</u>	<u>\$ 17,614,007</u>

Annual requirements to amortize the Town's enterprise indebtedness and related interest are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 829,649	\$ 220,789
2016	835,386	148,230
2017	843,788	140,021
2018	859,555	131,641
2019	865,338	122,970
2020-2024	4,449,292	477,824
2025-2029	3,943,108	273,480
2030-2034	3,870,965	110,607
2035-2036	<u>1,022,849</u>	<u>5,118</u>
Total	<u>\$ 17,519,930</u>	<u>\$ 1,630,680</u>



## TOWN OF ORANGE, VIRGINIA

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

### NOTE 5—LONG TERM OBLIGATIONS: (CONTINUED)

#### Enterprise Activities: (Continued)

#### Details of Long-term Obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>Bonds Payable:</u>		
\$2,597,000 General obligation bonds issued December 29, 2004 payable in annual principal payments ranging from \$102,600 to \$196,650 and semi-annual interest payments ranging from 2.5% to 4.375%. Partially refunded in FY13; final payment due July 20, 2014.	\$ 121,900	\$ 121,900
\$16,177,744 Revenue bonds, Series 2008 issued May 1, 2008 payable in semi-annual principal and interest payments of \$342,785 beginning May 1, 2011. Interest at 0.5%. Final payment due December 2036.	13,958,280	616,549
\$1,629,750 General obligation bonds issued July 22, 2013 payable in annual principal payments beginning August 1, 2014 ranging from \$21,200 to \$174,900 and semi-annual interest payments at 2.05%. Final payment due August 1, 2024.	1,629,750	21,200
\$1,845,000 General obligation bonds issued July 22, 2013 payable in semi-annual principal payments beginning February 1, 2014 ranging from \$35,000 to \$60,000 and semi-annual interest payments at 2.95%. Final payment due August 1, 2033.	1,810,000	70,000
Total bonds payable	\$ 17,519,930	\$ 829,649
Compensated absences (Note 6)	\$ 62,369	\$ 6,237
Other post-employment benefits (Note 14)	31,708	-
Total enterprise debt	<u>\$ 17,614,007</u>	<u>\$ 835,886</u>

### NOTE 6—COMPENSATED ABSENCES:

In accordance with GASB Statement 16 *Accounting for Compensated Absences*, the Town has accrued liabilities arising from compensated absences.

Town employees earn annual leave at various rates. No benefits or pay is received for unused sick leave upon termination. Accumulated vacation and banked holidays are paid upon termination up to a maximum of 240 hours. The Town's general fund has outstanding accrued leave pay totaling \$128,318 and the Enterprise Funds have outstanding accrued leave pay of \$62,369.

## TOWN OF ORANGE, VIRGINIA

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

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### NOTE 7—PENSION PLAN: (CONTINUED)

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#### A. Plan Description

Name of Plan: Virginia Retirement System (VRS)  
Identification of Plan: Agent and Cost-Sharing Multiple-Employer Pension Plan  
Administering Entity: Virginia Retirement System (System)

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Members earn one month of service credit for each month they are employed and they and their employer are paying contributions to VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as service credit in their plan.

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

#### VRS – PLAN 1

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

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

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

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

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

**NOTE 7—PENSION PLAN: (CONTINUED)**

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**A. Plan Description: (Continued)**

<b>VRS – PLAN 1 (CONTINUED)</b>
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5. **Creditable Service** - Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

6. **Vesting** - Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

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

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

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

8. **Average Final Compensation** - A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

9. **Service Retirement Multiplier** - The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.

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

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

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

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

**NOTE 7—PENSION PLAN: (CONTINUED)**

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**A. Plan Description: (Continued)**

<b>VRS – PLAN 1 (CONTINUED)</b>
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**13. Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

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

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

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

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

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

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

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

**NOTE 7—PENSION PLAN: (CONTINUED)**

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**A. Plan Description: (Continued)**

<b>VRS – PLAN 1 (CONTINUED)</b>
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- 17. Purchase of Prior Service** - Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

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

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

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

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

- 4. Retirement Contributions** - Same as VRS Plan 1—Refer to Section 4.
- 5. Creditable Service** - Same as VRS Plan 1— Refer to Section 5.
- 6. Vesting** - Same as VRS Plan 1—Refer to Section 6.
- 7. Calculating the Benefit** - Same as VRS Plan 1—Refer to Section 7.
- 8. Average Final Compensation** - A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.

**NOTE 7—PENSION PLAN: (CONTINUED)**

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**A. Plan Description: (Continued)**

<b>VRS – PLAN 2 (CONTINUED)</b>
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**9. Service Retirement Multiplier** - Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.

**10. Normal Retirement Age** - Normal Social Security retirement age.

**11. Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

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

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

**13. Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.

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

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

**16. Disability Coverage** - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.

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

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

**17. Purchase of Prior Service** - Same as VRS Plan 1—Refer to Section 17.

## TOWN OF ORANGE, VIRGINIA

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

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### NOTE 7—PENSION PLAN: (CONTINUED)

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#### A. Plan Description: (Continued)

##### HYBRID RETIREMENT PLAN

1. **Plan Overview** - The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See “Eligible Members”)
  - The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.
  - The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
  - In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
2. **Eligible Members** - Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:
  - State employees\*
  - School division employees
  - Political subdivision employees\*
  - Judges appointed or elected to an original term on or after January 1, 2014
  - Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan’s effective date for opt-in members was July 1, 2014
3. **\*Non-Eligible Members** - Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:
  - Members of the State Police Officers’ Retirement System (SPORS)
  - Members of the Virginia Law Officers’ Retirement System (VaLORS)
  - Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

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

**NOTE 7—PENSION PLAN: (CONTINUED)**

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**A. Plan Description: (Continued)**

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

5. **Creditable Service**

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

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

6. **Vesting**

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

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

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

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

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required by law until age 70½.



**NOTE 7—PENSION PLAN: (CONTINUED)**

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**A. Plan Description: (Continued)**

<b>HYBRID RETIREMENT PLAN (Continued)</b>
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**7. Calculating the Benefit**

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

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

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

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

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

**10. Normal Retirement Age**

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

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

**11. Earliest Unreduced Retirement Eligibility**

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

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

**12. Earliest Reduced Retirement Eligibility**

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

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

## TOWN OF ORANGE, VIRGINIA

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

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### NOTE 7—PENSION PLAN: (CONTINUED)

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#### A. Plan Description: (Continued)

##### HYBRID RETIREMENT PLAN (Continued)

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

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

Defined Contribution Component - Not Applicable.

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

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

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

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

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

#### 17. Purchase of Prior Service

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

Defined Contribution Component - Not Applicable.

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

#### B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Town's contribution rate for the fiscal year ended 2014 was 9.00% of annual covered payroll.

## TOWN OF ORANGE, VIRGINIA

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

### NOTE 7—PENSION PLAN: (CONTINUED)

#### C. Annual Pension Cost:

For fiscal year 2014, the Town's annual pension cost of \$208,649 was equal to the Town's required and actual contributions.

Three-Year Trend Information for Town			
<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2014	\$ 208,649	100%	\$ -
June 30, 2013	204,222	100%	-
June 30, 2012	120,385	100%	-

The FY 2014 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the Town's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Town's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

#### D. Funded Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the Town's plan was 73.24% funded. The actuarial accrued liability for benefits was \$6,276,046, and the actuarial value of assets was \$4,596,776, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,679,270. The covered payroll (annual payroll of active employees covered by the plan) was \$2,259,998 and ratio of the UAAL to the covered payroll was 74.30%.

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

## TOWN OF ORANGE, VIRGINIA

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

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### NOTE 8—UNAVAILABLE REVENUE:

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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.

Unavailable Property Tax Revenue - Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$279,107 (including 2nd ½ tax billings of \$243,414 not due until December 5) at June 30, 2014.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2014 but paid in advance by the taxpayers totaled \$30,810 at June 30, 2014.

### NOTE 9—INTERFUND LOANS AND TRANSFERS:

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During a prior fiscal year, the General Fund loaned \$160,000 to the Water & Sewer Capital Improvements Fund to assist in funding on-going capital projects. This fund has since been merged into the Water Fund. The loan was still outstanding at year-end and it is the Town's intent that the loan be repaid in the future.

### NOTE 10—RISK MANAGEMENT:

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The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town joined together with other local governments in Virginia to form the Virginia Municipal Group Self Insurance Association, a public entity risk pool currently operating as a common risk management and insurance program for participating local governments. The Town pays an annual premium to the association for its workers' compensation insurance coverage. In the event of a loss deficit and depletion of all available excess insurance, the Association may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The Town continues to carry commercial insurance for all other risks of loss, including general liability and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### NOTE 11—LITIGATION:

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

## TOWN OF ORANGE, VIRGINIA

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

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### NOTE 12—RESTATEMENT OF BEGINNING NET POSITION:

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#### Enterprise Funds

Beginning net position has been adjusted to reflect capital assets not previously recorded in the financial statements and related accumulated depreciation. Details of the adjustments are as follows:

	<u>Water Fund</u>
Net position at July 1 2013, as reported	\$ 4,471,736
Adjustment:	<u>294,858</u>
Net position at July 1 2013, as restated	<u><u>\$ 4,766,594</u></u>

### NOTE 13—OTHER POST-EMPLOYMENT BENEFITS:

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#### Background

Beginning in fiscal year 2010, the Town implemented Governmental Accounting Standards Board (GASB) Statement No. 45 for other post-employment benefits (OPEB) offered to retirees. This standard addresses how local governments should account for and report their costs related to post-employment health-care and non-pension benefits, such as the Town's retiree health benefit subsidy. Historically, the Town's subsidy was funded on a pay-as-you go basis, but GASB Statement No. 45 requires that the Town accrue the cost of the retiree health subsidy and other post-employment benefits during the period of the employees' active employment, while the benefits are being earned, and disclose the unfunded actuarial accrued liability in order to accurately account for the total future cost of post-employment benefits and the financial impact on the Town. This funding methodology mirrors the funding approach used for pension benefits.

#### **A. Plan Description:**

In addition to the pension benefits described in Note 7, the Town provides post-retirement healthcare insurance benefits for employees who are eligible for retirement benefits. Individuals, who retire from Town service with full VRS benefits (i.e. 50 years of age and 30 years of continuous service) and 20 years of service with the Town, are eligible to remain on the Town's health insurance plan. The retiree's spouse can also receive benefits under the plan.

#### **B. Funding Policy:**

The Town establishes employer contribution rates for plan participants as part of the budgetary process each year. The Town also determines how the plan will be funded each year, whether it will partially fund the plan or fully fund the plan. Again this is determined annually as part of the budgetary process. Retirees from the Town who have 20 years of service are eligible to remain on the Town's insurance plan indefinitely. The retiree is responsible for 100% of the premium. Retirees' spouses are also eligible to remain on the plan and are responsible for 100% of the premium.

**TOWN OF ORANGE, VIRGINIA**

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

**NOTE 13—OTHER POST-EMPLOYMENT BENEFITS: (CONTINUED)****C. Annual OPEB Cost and Net OPEB Obligation:**

The annual cost of other post-employment benefits (OPEB) under GASB 45 is called the annual required contribution or ARC. The estimated pay as you go cost for OPEB benefits is \$32,000 for fiscal year 2013. The Town did not make a payment towards this obligation during the fiscal year. The Town is required to contribute the annual required contribution of the employer (ARC) an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The estimated contributions are based on projected medical premium payments, Town contributions, and credit for the implicit rate subsidy made during the year for the retirees of the Town. The following table shows the components of the Town's annual OPEB cost for the year, the estimated annual contributions to the plan, and changes in the Town's net OPEB obligation to the Retiree Health Plan:

Annual required contribution	\$	34,000
Interest on net OPEB obligation		4,000
Adjustment to annual required contribution		<u>(5,000)</u>
Annual OPEB cost (expense)	\$	33,000
Estimated contributions made		<u>(1,000)</u>
Increase in net OPEB obligation	\$	<u>32,000</u>
Net OPEB obligation - beginning of year		<u>110,000</u>
Net OPEB obligation - end of year	\$	<u><u>142,000</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the prior two years are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2012	\$ 33,000	0%	\$ 78,000
June 30, 2013	32,000	0%	110,000
June 30, 2014	32,000	0%	142,000

## TOWN OF ORANGE, VIRGINIA

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

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### NOTE 13—OTHER POST-EMPLOYMENT BENEFITS: (CONTINUED)

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#### C. Annual OPEB Cost and Net OPEB Obligation: (Continued)

The funded status of the plan as of July 1, 2012 is as follows:

Actuarial accrued liability (AAL)	\$	270,000
Actuarial value of plan assets		-
Unfunded actuarial accrued liability		270,000
Funded ratio (actuarial value of plan assets / AAL)		0%
Covered payroll (active plan members)		2,277,000
UAAL as a percentage of covered payroll		11.88%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

#### Actuarial Method & Assumption

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2012 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return and an annual healthcare cost trend rate of 10.00 percent initially, reduced by decrements to an ultimate rate of 5.50 percent after 5 years. Both rates included a 3.00 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five year-year period. The UAAL is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at July 1, 2012 was 30 years.

NOTE 13—OTHER POST-EMPLOYMENT BENEFITS: (CONTINUED)

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C. Annual OPEB Cost and Net OPEB Obligation: (Continued)

Actuarial Cost Method

The Entry Age Normal cost method is used to determine the Plan’s liabilities and costs. Under this cost method, the actuarial present value of projected benefits of every active Participant as if the Plan’s provisions on the valuation date had always been in effect, is determined as a level percentage of expected annual earnings for each future year of expected service. A normal cost for each year from the assumed entry date is determined by applying this level percentage of pay to the assumed earnings for that year (or if benefits are not pay related, the level amount for each year).

Under this method, inactive participants have no normal cost, and their actuarial liability is the present value of the plan benefit to which they and their beneficiaries are entitled. The Plan’s total annual normal cost and actuarial accrued liability are the sum of the individual participant amounts.

An experience gain or loss is a decrease or increase in the unfunded actuarial liability attributable to actual experience that differed from that expected by the actuarial assumptions. Such gains or losses are explicitly recognized under this method.

Interest Assumptions

	<u>Unfunded</u>
Investment rate of return	4.00%
Health cost trend assumption	5.50%
Payroll growth	2.50%



### **Required Supplementary Information**

Note to Required Supplementary Information:

Presented budgets were prepared in accordance with accounting principles generally accepted in the United States of America.

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

## General Fund

For the Year Ended June 30, 2014

	General Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
General property taxes	\$ 687,000	\$ 687,000	\$ 738,725	\$ 51,725
Other local taxes/revenues	2,096,010	2,096,010	2,155,737	59,727
Permits, fees, and regulatory licenses	4,100	4,100	811	(3,289)
Fines and forfeitures	61,200	61,200	85,679	24,479
Revenues from use of money and property	7,220	7,220	11,658	4,438
Charges for services	109,901	109,901	107,498	(2,403)
Miscellaneous revenue	127,513	814,588	50,600	(763,988)
Recovered costs	12,000	12,000	13,723	1,723
Revenue from internal sources	303,282	303,282	303,288	6
Intergovernmental revenues:				
Commonwealth	1,253,621	1,253,621	1,686,080	432,459
Total revenues	\$ 4,661,847	\$ 5,348,922	\$ 5,153,799	\$ (195,123)
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 681,583	\$ 687,219	\$ 652,017	\$ 35,202
Public safety	1,404,414	1,404,414	1,421,949	(17,535)
Public works	1,859,363	1,859,363	1,802,964	56,399
Parks, recreation, and cultural	30,000	30,000	22,495	7,505
Community development	136,748	136,748	133,579	3,169
Nondepartmental	183,296	194,838	181,148	13,690
Capital projects	170,000	880,439	729,606	150,833
Debt service:				
Principal	147,425	128,824	147,425	(18,601)
Interest and finance charges	49,018	27,077	27,077	-
Total expenditures	\$ 4,661,847	\$ 5,348,922	\$ 5,118,260	\$ 230,662
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 35,539	\$ 35,539
<b>OTHER FINANCING SOURCES (USES)</b>				
Net operating transfers	\$ -	\$ -	\$ (506,358)	\$ (506,358)
Proceeds of refunding bond issuance	-	-	1,445,250	1,445,250
Payment to bond escrow agent	-	-	(1,440,672)	(1,440,672)
Net change in fund balances	\$ -	\$ -	\$ (466,241)	\$ (466,241)
Fund Balance at Beginning of Year	2,541,951	2,541,951	3,865,891	1,323,940
Fund Balance at End of Year	\$ 2,541,951	\$ 2,541,951	\$ 3,399,650	\$ 857,699

Schedule of Pension and OPEB Funding Progress  
For the Year Ended June 30, 2014

Virginia Retirement System						
Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll	UAAL as % of Covered Payroll (c/e)
	(a)	(b)	(c)	(d)	(e)	(f)
06/30/11	\$ 4,347,048	\$ 5,771,187	\$ 1,424,139	75.32%	\$ 2,077,501	68.55%
06/30/12	4,375,735	6,144,048	1,768,313	71.22%	2,199,458	80.40%
06/30/13	4,596,776	6,276,046	1,679,270	73.24%	2,259,998	74.30%
Other Post-Employment Benefits						
Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll	UAAL as % of Covered Payroll (c/e)
	(a)	(b)	(c)	(d)	(e)	(f)
06/30/10	\$ -	\$ 190,000	\$ 190,000	0.00%	\$ 2,278,000	8.30%
07/01/12	-	270,000	270,000	0.00%	2,277,000	11.88%

## **Other Supplementary Information**

## **Supporting Schedules**

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

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 500,000	\$ 500,000	\$ 547,460	\$ 47,460
Personal property taxes	140,000	140,000	157,691	17,691
Public service corporation taxes	22,000	22,000	24,747	2,747
Delinquent taxes	25,000	25,000	8,827	(16,173)
Total general property taxes	\$ 687,000	\$ 687,000	\$ 738,725	\$ 51,725
Other local taxes/revenues				
Local sales and use taxes	\$ 355,000	\$ 355,000	\$ 355,692	\$ 692
Consumers' utility taxes	230,010	230,010	233,804	3,794
Electric consumption taxes	15,000	15,000	17,435	2,435
Motor vehicle licenses	80,000	80,000	89,927	9,927
Bank franchise taxes	135,000	135,000	174,215	39,215
Restaurant food taxes	1,025,000	1,025,000	1,032,790	7,790
Business License	9,000	9,000	8,499	(501)
Transient/occupancy tax	136,000	136,000	144,115	8,115
Cigarette tax	111,000	111,000	99,260	(11,740)
Total other local taxes/revenues	\$ 2,096,010	\$ 2,096,010	\$ 2,155,737	\$ 59,727
Permits, fees, and regulatory licenses:				
Planning and development fees	\$ 4,000	\$ 4,000	\$ 636	\$ (3,364)
Construction permits/fees	100	100	175	75
Total permits, fees, and regulatory licenses	\$ 4,100	\$ 4,100	\$ 811	\$ (3,289)
Fines and forfeitures:				
Court fines and forfeitures	\$ 61,200	\$ 61,200	\$ 85,679	\$ 24,479
Revenue from use of money and property:				
Revenue from use of money	\$ 3,500	3,500	\$ 6,253	\$ 2,753
Revenue from use of property	3,720	3,720	5,405	1,685
Total revenue from use of money and property	\$ 7,220	\$ 7,220	\$ 11,658	\$ 4,438
Charges for services:				
Refuse collection	\$ 89,600	\$ 89,600	\$ 82,371	\$ (7,229)
Transit fees	20,301	20,301	25,127	4,826
Total charges for services	\$ 109,901	\$ 109,901	\$ 107,498	\$ (2,403)

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

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Revenue from Local Sources: (Continued)				
Miscellaneous revenue:				
Reserve funds	\$ 112,913	\$ 799,988	\$ -	\$ (799,988)
Administrative fees	9,600	9,600	9,170	(430)
Proceeds from the sale of surplus property	-	-	15,754	15,754
Proceeds from the sale of recycled material	-	-	2,123	2,123
Revenue refunds	-	-	5,150	5,150
Miscellaneous	5,000	5,000	18,403	13,403
Total miscellaneous revenue	\$ 127,513	\$ 814,588	\$ 50,600	\$ (763,988)
Recovered costs:				
Expenditure refunds	\$ 12,000	\$ 12,000	\$ 13,723	\$ 1,723
Revenue from internal sources:				
Internal charges	\$ 303,282	\$ 303,282	\$ 303,288	\$ 6
Total revenue from local sources	\$ 3,408,226	\$ 4,095,301	\$ 3,467,719	\$ (627,582)
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home registration	\$ 80	\$ 80	\$ -	\$ (80)
Rolling stock tax	6,500	6,500	7,843	1,343
Motor vehicle carriers' tax	30,000	30,000	33,609	3,609
Communications tax	184,000	184,000	177,719	(6,281)
Aid to localities with police departments	103,032	103,032	103,032	-
Personal property tax relief funds	89,615	89,615	89,615	-
Total noncategorical aid	\$ 413,227	\$ 413,227	\$ 411,818	\$ (1,409)
Categorical aid:				
State Highway Funds	\$ 819,519	\$ 819,519	\$ 843,636	\$ 24,117
Virginia Rail Transportation Grant	-	-	47,761	47,761
Highway construction	-	-	365,909	365,909
Fire Program Grants	11,375	11,375	14,179	2,804
Art Grants	5,000	5,000	-	(5,000)
Miscellaneous Grants	2,000	2,000	-	(2,000)
Litter Control Grant	2,500	2,500	2,777	277
Total categorical aid	\$ 840,394	\$ 840,394	\$ 1,274,262	\$ 433,868
Total revenue from the commonwealth	\$ 1,253,621	\$ 1,253,621	\$ 1,686,080	\$ 432,459
Total General Fund	\$ 4,661,847	\$ 5,348,922	\$ 5,153,799	\$ (195,123)

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

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Special Revenue Fund:</b>				
<b>Taylor Park Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 214	\$ 214
Total revenue from local sources	\$ -	\$ -	\$ 214	\$ 214
Total Taylor Park Fund	\$ -	\$ -	\$ 214	\$ 214
<b>Capital Projects Fund:</b>				
<b>General Capital Projects Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 266	\$ 266
Total revenue from local sources	\$ -	\$ -	\$ 266	\$ 266
Revenue from the Commonwealth:				
Categorical aid:				
Byrne Memorial Grant	\$ -	\$ 1,772	\$ -	\$ (1,772)
Local Law Enforcement Block Grant	-	-	15,420	15,420
Virginia Arts Commission	-	-	5,000	5,000
Asset forfeiture	-	-	5,213	5,213
Total categorical aid	\$ -	\$ 1,772	\$ 25,633	\$ 23,861
Total revenue from the commonwealth	\$ -	\$ 1,772	\$ 25,633	\$ 23,861
Revenue from the federal government:				
Categorical aid:				
Asset forfeiture	\$ -	\$ -	\$ 84,141	\$ 84,141
Total revenue from the federal government	\$ -	\$ -	\$ 84,141	\$ 84,141
Total Capital Projects Fund	\$ -	\$ 1,772	\$ 110,040	\$ 108,268
Total Primary Government	\$ 4,661,847	\$ 5,350,694	\$ 5,264,053	\$ (86,641)



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

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund:</b>				
General government administration:				
Legislative:				
Town Council	\$ 45,263	\$ 46,763	\$ 37,768	\$ 8,995
General and financial administration:				
Town manager	\$ 253,745	\$ 257,881	\$ 248,688	\$ 9,193
Professional services	35,695	35,695	33,943	1,752
Treasurer/finance	341,880	341,880	329,257	12,623
Total general and financial administration	\$ 631,320	\$ 635,456	\$ 611,888	\$ 23,568
Elections				
Registrar	\$ 5,000	\$ 5,000	\$ 2,361	\$ 2,639
Total general government administration	\$ 681,583	\$ 687,219	\$ 652,017	\$ 35,202
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 1,323,039	\$ 1,323,039	\$ 1,337,770	\$ (14,731)
Fire and rescue services:				
Volunteer fire departments	\$ 46,375	\$ 46,375	\$ 49,179	\$ (2,804)
Rescue squad	35,000	35,000	35,000	-
Total fire and rescue services	\$ 81,375	\$ 81,375	\$ 84,179	\$ (2,804)
Total public safety	\$ 1,404,414	\$ 1,404,414	\$ 1,421,949	\$ (17,535)
Public works:				
Streets and general maintenance	\$ 1,537,003	\$ 1,537,003	\$ 1,452,810	\$ 84,193
Refuse collection and disposal	164,945	164,945	137,086	27,859
Municipal building	38,956	38,956	48,140	(9,184)
Depot	20,000	20,000	26,015	(6,015)
TOOT	98,459	98,459	138,913	(40,454)
Total public works	\$ 1,859,363	\$ 1,859,363	\$ 1,802,964	\$ 56,399
Parks, recreation, and cultural:				
Parks and recreation	\$ 30,000	\$ 30,000	\$ 22,495	\$ 7,505
Total parks, recreation, and cultural	\$ 30,000	\$ 30,000	\$ 22,495	\$ 7,505

## Schedule of Expenditures - Budget and Actual (Continued)

## Governmental Funds

For the Year Ended June 30, 2014

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Community development:				
Planning and community development	\$ 136,748	\$ 136,748	\$ 133,579	\$ 3,169
Total community development	\$ 136,748	\$ 136,748	\$ 133,579	\$ 3,169
Nondepartmental:				
Insurance	\$ 35,596	\$ 35,596	\$ 29,495	\$ 6,101
Revenue refunds	3,500	3,500	6,396	(2,896)
Contractual services	16,500	28,042	24,561	3,481
Bank service charges	18,600	18,600	13,496	5,104
Donations	109,100	109,100	107,200	1,900
Total nondepartmental	\$ 183,296	\$ 194,838	\$ 181,148	\$ 13,690
Capital expenditures:				
Capital outlay	\$ 170,000	\$ 880,439	\$ 729,606	\$ 150,833
Debt service:				
Principal	\$ 147,425	\$ 128,824	\$ 147,425	\$ (18,601)
Interest	49,018	27,077	27,077	-
Total debt service	\$ 196,443	\$ 155,901	\$ 174,502	\$ (18,601)
<b>Total General Fund</b>	<b>\$ 4,661,847</b>	<b>\$ 5,348,922</b>	<b>\$ 5,118,260</b>	<b>\$ 230,662</b>
<b>Capital Projects Fund:</b>				
General Capital projects expenditures:				
Capital projects expenditures	\$ -	\$ 1,772	\$ 115,260	\$ (113,488)
<b>Total Capital Projects Fund</b>	<b>\$ -</b>	<b>\$ 1,772</b>	<b>\$ 115,260</b>	<b>\$ (113,488)</b>
<b>Total Primary Government</b>	<b>\$ 4,661,847</b>	<b>\$ 5,350,694</b>	<b>\$ 5,233,520</b>	<b>\$ 117,174</b>

## **Other Statistical Information**

Net Position by Component  
 Last Eight Fiscal Years  
*(accrual basis of accounting)*

	Fiscal Year							
	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities								
Net investment in capital assets	\$ 3,525,251	\$ 3,650,697	\$ 3,715,756	\$ 3,604,767	\$ 3,430,421	\$ 3,458,415	\$ 3,493,408	\$ 4,248,822
Restricted	19,745	5,195	2,380	2,387	2,392	134,670	110,059	110,273
Unrestricted	<u>2,163,738</u>	<u>2,567,533</u>	<u>2,654,441</u>	<u>2,883,587</u>	<u>2,992,024</u>	<u>2,940,650</u>	<u>3,807,987</u>	<u>3,357,185</u>
Total governmental activities net position	<u>\$ 5,708,734</u>	<u>\$ 6,223,425</u>	<u>\$ 6,372,577</u>	<u>\$ 6,490,741</u>	<u>\$ 6,424,837</u>	<u>\$ 6,533,735</u>	<u>\$ 7,411,454</u>	<u>\$ 7,716,280</u>
Business-type activities								
Net investment in capital assets	\$ 3,771,954	\$ 3,003,648	\$ 6,946,933	\$ 11,521,538	\$ 15,481,745	\$ 15,193,913	\$ 15,080,241	\$ 15,130,074
Restricted	-	-	-	-	-	68,639	-	-
Unrestricted	<u>2,978,760</u>	<u>4,442,193</u>	<u>4,368,814</u>	<u>4,029,344</u>	<u>1,535,331</u>	<u>886,604</u>	<u>248,257</u>	<u>692,690</u>
Total business-type activities net position	<u>\$ 6,750,714</u>	<u>\$ 7,445,841</u>	<u>\$ 11,315,747</u>	<u>\$ 15,550,882</u>	<u>\$ 17,017,076</u>	<u>\$ 16,149,156</u>	<u>\$ 15,328,498</u>	<u>\$ 15,822,764</u>
Primary government								
Net investment in capital assets	\$ 7,297,205	\$ 6,654,345	\$ 10,662,689	\$ 15,126,305	\$ 18,912,166	\$ 18,652,328	\$ 18,573,649	\$ 19,378,896
Restricted	19,745	5,195	2,380	2,387	2,392	203,309	110,059	110,273
Unrestricted	<u>5,142,498</u>	<u>7,009,726</u>	<u>7,023,255</u>	<u>6,912,931</u>	<u>4,527,355</u>	<u>3,827,254</u>	<u>4,056,244</u>	<u>4,049,875</u>
Total primary government net position	<u>\$ 12,459,448</u>	<u>\$ 13,669,266</u>	<u>\$ 17,688,324</u>	<u>\$ 22,041,623</u>	<u>\$ 23,441,913</u>	<u>\$ 22,682,891</u>	<u>\$ 22,739,952</u>	<u>\$ 23,539,044</u>

Note: Accrual-basis financial information is available back to fiscal year 2007.

Changes in Net Position  
Last Eight Fiscal Years  
(accrual basis of accounting)

	Fiscal Year							
	2007	2008	2009	2010	2011	2012	2013	2014
<b>Expenses</b>								
Governmental activities:								
General government administration	\$ 430,093	\$ 802,974	\$ 744,923	\$ 822,347	\$ 854,434	\$ 898,399	\$ 775,161	\$ 854,920
Public safety	1,078,322	1,225,816	1,268,803	1,248,816	1,275,689	1,377,427	1,455,083	1,510,652
Public works	1,645,944	1,816,378	1,435,223	1,980,259	1,834,837	1,905,767	1,699,846	1,736,332
Parks, recreation and cultural	122,396	146,267	139,744	132,620	57,976	60,559	71,913	52,195
Community development	144,165	240,018	489,958	176,336	243,143	207,866	237,908	221,693
Non-departmental	78,453	-	-	-	-	-	-	-
Interest on long-term debt	83,875	79,172	81,199	78,545	75,574	71,701	67,167	14,114
Total governmental activities expenses	\$ 3,583,248	\$ 4,310,625	\$ 4,159,850	\$ 4,438,923	\$ 4,341,653	\$ 4,521,719	\$ 4,307,078	\$ 4,389,906
Business-type activities:								
Water	\$ 1,195,174	\$ 1,407,998	\$ 1,478,137	\$ 1,419,246	\$ 1,406,518	\$ 1,540,247	\$ 1,564,437	\$ 1,449,285
Sewer	818,843	863,808	909,880	942,559	1,139,978	1,735,986	1,795,538	1,961,749
Water and sewer capital improvements	-	72,380	165,071	75,958	73,728	69,960	-	-
Sewer capital improvements	-	22	-	70,461	73,455	76,820	-	-
Total business-type activities expenses	\$ 2,014,017	\$ 2,344,208	\$ 2,553,088	\$ 2,508,224	\$ 2,693,679	\$ 3,423,013	\$ 3,359,975	\$ 3,411,034
Total primary government expenses	\$ 5,597,265	\$ 6,654,833	\$ 6,712,938	\$ 6,947,147	\$ 7,035,332	\$ 7,944,732	\$ 7,667,053	\$ 7,800,940
<b>Program Revenues</b>								
Governmental activities:								
Charges for services:								
General government	\$ 92,694	\$ 95,049	\$ -	\$ -	\$ 286,452	\$ 291,948	\$ 298,030	\$ 303,288
Public safety	75,746	-	73,006	84,822	122,852	75,808	58,887	85,679
Public works	106,354	417,342	77,053	51,414	37,323	50,475	103,681	107,498
Parks, recreation and cultural	-	1,350	-	-	-	-	-	-
Community development	10,164	7,866	18,385	-	-	5,858	5,401	811
Operating grants and contributions	843,683	931,222	960,713	918,172	964,445	863,290	895,487	970,366
Capital grants and contributions	53,823	-	-	-	-	223,805	11,164	413,670
Total governmental activities program revenues	\$ 1,182,464	\$ 1,452,829	\$ 1,129,157	\$ 1,054,408	\$ 1,411,072	\$ 1,511,184	\$ 1,372,650	\$ 1,881,312
Business-type activities:								
Charges for services:								
Water	\$ 1,235,191	\$ 1,242,240	\$ 1,173,876	\$ 1,177,263	\$ 1,287,521	\$ 1,152,332	\$ 1,372,441	\$ 1,282,238
Sewer	989,961	1,243,119	1,068,536	1,054,408	1,286,043	1,261,087	1,406,808	1,613,061
Capital grants and contributions	355,957	497,616	3,829,383	4,330,716	1,436,119	20,265	196,023	34,505
Total business-type activities program revenues	\$ 2,581,109	\$ 2,982,975	\$ 6,071,795	\$ 6,562,387	\$ 4,009,683	\$ 2,433,684	\$ 2,975,272	\$ 2,929,804
Total primary government program revenues	\$ 3,763,573	\$ 4,435,804	\$ 7,200,952	\$ 7,616,795	\$ 5,420,755	\$ 3,944,868	\$ 4,347,922	\$ 4,811,116
<b>Net (expense) / revenue</b>								
Governmental activities	\$ (2,400,784)	\$ (2,857,796)	\$ (3,030,693)	\$ (3,384,515)	\$ (2,930,581)	\$ (3,010,535)	\$ (2,934,428)	\$ (2,508,594)
Business-type activities	567,092	638,767	3,518,707	4,054,163	1,316,004	(989,329)	(384,703)	(481,230)
Total primary government net (expense)/ revenue	\$ (1,833,692)	\$ (2,219,029)	\$ 488,014	\$ 669,648	\$ (1,614,577)	\$ (3,999,864)	\$ (3,319,131)	\$ (2,989,824)

Changes in Net Position  
Last Eight Fiscal Years (Continued)  
(accrual basis of accounting)

	Fiscal Year							
	2007	2008	2009	2010	2011	2012	2013	2014
<b>General Revenues and Other Changes in Net Position</b>								
Governmental activities:								
Taxes:								
Property taxes	\$ 712,492	\$ 712,551	\$ 659,583	\$ 606,021	\$ 684,066	\$ 668,032	\$ 741,887	\$ 689,485
Local sales and use taxes	168,033	154,417	293,023	294,143	312,332	321,262	345,208	355,692
Restaurant food taxes	921,917	951,511	942,870	908,810	940,940	1,007,295	1,058,059	1,032,790
Consumer utility taxes	341,876	252,661	240,838	231,703	234,575	230,107	226,271	233,804
Other local taxes	299,896	390,711	384,964	424,856	478,793	474,172	468,037	533,451
Unrestricted grants and contributions	763,661	345,479	308,846	420,978	410,036	409,005	414,664	411,818
Unrestricted revenues from use of money and property	73,722	36,662	9,348	11,140	12,449	8,764	17,034	12,138
Miscellaneous	113,926	319,118	339,873	348,806	19,484	10,334	24,881	32,723
Gain (loss) on the disposal of assets	(1,905)	(3,445)	500	9,554	18,670	23,249	9,748	17,877
Transfers	(22,410)	13,541	-	-	-	-	506,358	(506,358)
<b>Total governmental activities</b>	<b>\$ 3,371,208</b>	<b>\$ 3,173,206</b>	<b>\$ 3,179,845</b>	<b>\$ 3,256,011</b>	<b>\$ 3,111,345</b>	<b>\$ 3,152,220</b>	<b>\$ 3,812,147</b>	<b>\$ 2,813,420</b>
Business-type activities:								
Unrestricted revenues from use of money and property	\$ 75,213	\$ 69,901	\$ 6,903	\$ 13,247	\$ 6,914	\$ 1,893	\$ 2,632	\$ 1,519
Miscellaneous	-	-	144,842	155,390	143,276	55,554	67,771	172,761
Transfers	22,410	(13,541)	-	-	-	-	(506,358)	506,358
<b>Total business-type activities</b>	<b>\$ 97,623</b>	<b>\$ 56,360</b>	<b>\$ 151,745</b>	<b>\$ 168,637</b>	<b>\$ 150,190</b>	<b>\$ 57,447</b>	<b>\$ (435,955)</b>	<b>\$ 680,638</b>
<b>Total primary government</b>	<b>\$ 3,468,831</b>	<b>\$ 3,229,566</b>	<b>\$ 3,331,590</b>	<b>\$ 3,424,648</b>	<b>\$ 3,261,535</b>	<b>\$ 3,209,667</b>	<b>\$ 3,376,192</b>	<b>\$ 3,494,058</b>
<b>Change in Net Position</b>								
Governmental activities	\$ 970,424	\$ 315,410	\$ 149,152	\$ (128,504)	\$ 180,764	\$ 141,685	\$ 877,719	\$ 304,826
Business-type activities	664,715	695,127	3,670,452	4,222,800	1,466,194	(931,882)	(820,658)	199,408
<b>Total primary government</b>	<b>\$ 1,635,139</b>	<b>\$ 1,010,537</b>	<b>\$ 3,819,604</b>	<b>\$ 4,094,296</b>	<b>\$ 1,646,958</b>	<b>\$ (790,197)</b>	<b>\$ 57,061</b>	<b>\$ 504,234</b>

Note: Accrual-basis financial information is available back to fiscal year 2007.

Governmental Activities Tax Revenues by Source  
 Last Eight Fiscal Years  
*(accrual basis of accounting)*

Fiscal Year	Property Tax	Local Sales and Use Tax	Consumer Utility Tax	Restaurant Food Tax	Other Local Taxes	Total
2014	\$ 689,485	\$ 355,692	\$ 233,804	\$ 1,032,790	\$ 533,451	\$ 2,845,222
2013	741,887	345,208	226,271	1,058,059	468,037	2,839,462
2012	668,032	321,262	230,107	1,007,295	474,172	2,700,868
2011	684,066	312,332	234,575	940,940	478,793	2,650,706
2010	606,021	294,143	231,703	908,810	424,856	2,465,533
2009	659,583	293,023	240,383	942,870	384,964	2,520,823
2008	712,551	154,417	252,661	951,511	390,711	2,461,851
2007	712,492	168,033	341,876	921,917	299,896	2,444,214

Note: Accrual-basis financial information is available back to fiscal year 2007 when the Town implemented GASB 34.

Fund Balances of Governmental Funds  
 Last Eight Fiscal Years  
*(modified accrual basis of accounting)*

	2007	2008	2009	2010	2011 (1)	2012	2013	2014
General fund								
Reserved	\$ 19,745	\$ 5,195	\$ 2,380	\$ 2,387				
Unreserved:	2,082,426	2,234,871	2,499,751	2,539,564				
Total general fund	<u>\$ 2,102,171</u>	<u>\$ 2,240,066</u>	<u>\$ 2,502,131</u>	<u>\$ 2,541,951</u>				
All other governmental funds								
Reserved	\$ -	\$ -	\$ -	\$ -				
Unreserved, reported in:								
Taylor park fund	106,801	106,657	106,239	106,692				
Capital projects funds	-	209,675	38,120	53,727				
Total all other governmental funds	<u>\$ 106,801</u>	<u>\$ 316,332</u>	<u>\$ 144,359</u>	<u>\$ 160,419</u>				
Total fund balance, governmental funds	<u>\$ 2,208,972</u>	<u>\$ 2,556,398</u>	<u>\$ 2,646,490</u>	<u>\$ 2,702,370</u>				
General fund								
Nonspendable					\$ 21,387	\$ -	\$ -	\$ 34,623
Restricted					2,392	27,392	2,392	2,392
Unassigned					2,899,043	2,972,253	3,863,499	3,362,635
Total general fund					<u>\$ 2,922,822</u>	<u>\$ 2,999,645</u>	<u>\$ 3,865,891</u>	<u>\$ 3,399,650</u>
All other governmental funds								
Restricted								
Taylor park fund					\$ 107,089	\$ 107,278	\$ 107,667	\$ 107,881
Assigned								
Capital projects fund					-	133,804	124,313	119,093
Unassigned								
Capital projects fund					70,507	-	-	-
Total all other governmental funds					<u>\$ 177,596</u>	<u>\$ 241,082</u>	<u>\$ 231,980</u>	<u>\$ 226,974</u>
Total fund balance, governmental funds					<u>\$ 3,100,418</u>	<u>\$ 3,240,727</u>	<u>\$ 4,097,871</u>	<u>\$ 3,626,624</u>

(1) - The Town implemented GASB 54, Fund Balance Reporting and Governmental Fund Type Definitions, in fiscal year 2011. The classification of fund balance commencing with fiscal year 2011 will report the fund balance in accordance with this reporting standard.



Changes in Fund Balances of Governmental Funds  
 Last Eight Fiscal Years  
*(modified accrual basis of accounting)*

	2007	2008	2009	2010	2011	2012	2013	2014
<b>Revenues</b>								
General property taxes	\$ 737,166	\$ 662,053	\$ 667,271	\$ 643,848	\$ 701,614	\$ 660,003	\$ 723,149	\$ 738,725
Other local taxes	1,802,476	1,749,300	1,861,695	1,859,512	1,966,640	2,032,836	2,097,575	2,155,737
Permits, privilege fees and regulatory licenses	102,359	7,865	1,776	2,539	4,800	5,868	5,401	811
Fines and forfeitures	75,746	84,232	73,006	60,235	100,414	75,798	58,887	85,679
Revenue from use of money and property	79,357	36,662	9,348	11,140	12,449	8,764	17,034	11,658
Charges for services	-	88,479	93,662	73,462	54,961	50,475	103,681	107,498
Miscellaneous	139,439	346,343	12,873	36,982	38,154	33,583	34,629	50,600
Recovered costs	-	5,500	72,657	19,699	21,052	3,042	11,448	13,723
Revenue from internal sources	316,439	326,368	327,500	346,824	286,452	291,948	298,030	303,288
Intergovernmental revenues:								
Commonwealth	998,792	1,276,351	1,264,973	1,333,411	1,318,560	1,388,593	1,317,347	1,686,080
Federal	15,737	350	4,586	5,739	55,921	107,507	3,968	0
<b>Total revenues</b>	<b>\$ 4,267,511</b>	<b>\$ 4,583,503</b>	<b>\$ 4,389,347</b>	<b>\$ 4,393,391</b>	<b>\$ 4,561,017</b>	<b>\$ 4,658,417</b>	<b>\$ 4,671,149</b>	<b>\$ 5,153,799</b>
<b>Expenditures</b>								
General government administration	\$ 624,940	\$ 557,693	\$ 557,352	\$ 618,538	\$ 602,329	\$ 627,534	\$ 627,697	\$ 652,017
Public safety	1,038,154	1,139,981	1,196,117	1,206,536	1,224,128	1,369,728	1,370,094	1,421,949
Public works	1,494,059	1,449,599	1,557,462	1,776,665	1,642,227	1,712,926	1,658,561	1,802,964
Parks, recreation and cultural	113,522	122,108	126,553	121,539	22,832	23,033	27,856	22,495
Community development	203,337	240,385	150,412	174,421	157,175	124,330	119,154	133,579
Non-departmental	85,483	86,478	98,361	64,283	197,841	160,793	186,764	181,148
Capital projects	58,855	484,004	443,904	206,711	148,112	361,531	277,418	729,606
Debt service								
Principal	144,600	86,922	89,300	91,650	94,000	115,887	118,237	147,425
Interest and other fiscal charges	84,975	82,448	79,793	77,168	74,325	70,824	66,817	27,077
<b>Total expenditures</b>	<b>\$ 3,847,925</b>	<b>\$ 4,249,618</b>	<b>\$ 4,299,254</b>	<b>\$ 4,337,511</b>	<b>\$ 4,162,969</b>	<b>\$ 4,566,586</b>	<b>\$ 4,452,598</b>	<b>\$ 5,118,260</b>
<b>Excess of revenues over (under) expenditures</b>	<b>\$ 419,586</b>	<b>\$ 333,885</b>	<b>\$ 90,093</b>	<b>\$ 55,880</b>	<b>\$ 398,048</b>	<b>\$ 91,831</b>	<b>\$ 218,551</b>	<b>\$ 35,539</b>
<b>Other financing sources (uses)</b>								
Transfers in	\$ -	\$ 13,541	\$ -	\$ 7	\$ 5	\$ -	\$ 506,358	\$ (506,358)
Transfers out	(22,410)	-	-	(7)	(5)	-	-	-
Issuance of capital leases	2,402	-	-	-	-	48,478	132,235	-
Proceeds of refunding bond issuance	-	-	-	-	-	-	-	1,445,250
Payment to bond escrow agent	-	-	-	-	-	-	-	(1,440,672)
<b>Total other financing sources (uses)</b>	<b>\$ (20,008)</b>	<b>\$ 13,541</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 48,478</b>	<b>\$ 638,593</b>	<b>\$ (501,780)</b>
<b>Net change in fund balances</b>	<b>\$ 399,578</b>	<b>\$ 347,426</b>	<b>\$ 90,093</b>	<b>\$ 55,880</b>	<b>\$ 398,048</b>	<b>\$ 140,309</b>	<b>\$ 857,144</b>	<b>\$ (466,241)</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>6.61%</b>	<b>4.83%</b>	<b>4.71%</b>	<b>4.33%</b>	<b>4.61%</b>	<b>4.84%</b>	<b>4.47%</b>	<b>3.63%</b>

TOWN OF ORANGE, VIRGINIA

General Governmental Revenues by Source (1) (2)

Last Ten Fiscal Years

*(modified accrual basis of accounting)*

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege fees, and Regulatory Licenses	Fines and Forfeitures	Revenue from Use of Money and Property
2014	\$ 738,725	\$ 2,155,737	\$ 811	\$ 85,679	\$ 11,658
2013	723,149	2,097,575	5,401	58,887	16,531
2012	660,003	2,032,836	5,868	75,798	8,659
2011	701,614	1,966,640	4,800	100,414	12,230
2010	643,848	1,859,512	2,539	60,235	10,945
2009	667,271	1,861,695	1,776	73,006	9,094
2008	662,053	1,749,300	7,865	84,232	35,962
2007	737,166	1,802,476	-	75,746	79,357
2006	696,866	1,810,589	-	68,621	45,950
2005	602,239	1,339,183	-	43,677	58,898

- NOTE: (1) Includes General and Special Revenue Funds  
 (2) Excludes revenue from internal sources

Table 6

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Charges for Services	Recovered Costs	Miscellaneous (2)	Inter- governmental	Total
\$ 107,498	\$ 13,723	\$ 353,888	\$ 1,686,080	\$ 5,153,799
103,681	11,448	332,659	1,265,947	4,615,278
50,475	3,042	325,531	1,358,180	4,520,392
54,961	21,052	316,997	1,307,234	4,485,942
73,462	19,699	383,806	1,269,557	4,323,603
93,662	72,657	340,060	1,180,666	4,299,887
88,479	-	27,225	1,188,868	3,843,984
102,359	-	139,439	1,014,529	3,951,072
131,186	-	87,891	907,244	3,748,347
96,694	-	77,921	809,757	3,028,369

Assessed Value and Estimated Actual Value of Taxable Property  
Last Ten Fiscal Years

Fiscal Year		Real Estate	Personal Property	Public Service	Total Taxable Assessed Value	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
2014	\$	360,126,565	\$ 34,591,100	\$ 15,323,152	\$ 410,040,817	410,040,817	100.00%
2013		356,685,550	36,261,468	15,012,840	407,959,858	407,959,858	100.00%
2012		405,790,650	33,585,596	\$ 14,945,558	454,321,804	454,321,804	100.00%
2011		455,413,450	33,306,877	15,242,650	503,962,977	503,962,977	100.00%
2010		454,299,450	27,498,838	15,305,972	497,104,260	497,104,260	100.00%
2009		453,115,000	43,436,588	14,687,687	511,239,275	511,239,275	100.00%
2008		450,501,300	42,994,779	17,362,511	510,858,590	510,858,590	100.00%
2007		329,528,350	40,643,746	9,619,293	379,791,389	379,791,389	100.00%
2006		203,047,200	38,321,145	9,619,293	250,987,638	250,987,638	100.00%
2005		195,551,200	34,845,990	12,539,644	242,936,834	242,936,834	100.00%

Source: Commissioner of Revenue of Orange County

Property Tax Rates (1)  
Last Ten Fiscal Years

Fiscal Years	Direct Rates				
	Real Estate	Personal Property	Machinery and Tools	Public Service RE/PP	Mobile Home
2014	\$ .155/.155	\$ 0.830	\$ 0.066	\$ .155/.830	\$ 0.155
2013	.145/.155	0.830	0.066	.145/.830	0.145
2012	.114/.145	0.830	0.066	.114/.830	0.114
2011	.114/.114	0.830	0.066	.114/.830	0.114
2010	.114/.114	0.600	0.066	.114/.600	0.114
2009	.114/.114	0.600	0.066	.114/.600	0.114
2008	.114/.114	0.600	0.066	.114/.600	0.114
2007	.114/.240	0.600	0.066	.114/.600	0.114
2006	.114/.240	0.600	0.066	.240/.600	0.240
2005	.240/.180	0.600	0.066	.240/.600	0.240

(1) Per \$100 of assessed value

Ratio of Net General Bonded Debt to  
Assessed Value and Net Bonded Debt Per Capita  
Last Ten Fiscal Years

Fiscal Year	Population	Assessed Value (In Thousands) (2)	Gross General Obligation Debt (1)	Debt Payable from Enterprise Revenues (1)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value (2)	Net Bonded Debt per Capita
2014	4,813	\$ 410,041	\$ 5,115,000	\$ 3,561,650	\$ 1,553,350	0.38%	\$ 323
2013	4,813	407,960	5,183,537	3,623,387	1,560,150	0.38%	324
2012	4,776	454,322	5,425,169	3,763,969	1,661,200	0.37%	348
2011	4,730	503,963	5,660,721	3,900,821	1,759,900	0.35%	372
2010	4,674	497,104	5,885,238	4,031,338	1,853,900	0.37%	397
2009	4,636	511,239	9,089,854	7,144,304	1,945,550	0.38%	420
2008	4,566	510,859	9,604,632	7,569,782	2,034,850	0.40%	446
2007	4,494	379,791	10,112,855	7,991,055	2,121,800	0.56%	472
2006	4,398	250,988	10,669,513	8,403,113	2,266,400	0.90%	515
2005	4,287	242,937	13,209,504	8,982,504	4,227,000	1.74%	986

(1) Includes all long-term general obligation bonded debt, and excludes revenue bonds, capital leases, and compensated absences.

(2) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property - Table 7

Property Tax Levies and Collections  
Last Ten Fiscal Years

Fiscal Year	Total(1) Tax Levy	Current Tax(1) Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Tax Levy
2013-14	\$ 825,977	\$ 778,024	94.19%	\$ 43,976	\$ 822,000	99.52%	\$ 23,428	2.84%
2012-13	817,562	755,728	92.44%	20,756	776,484	94.98%	58,720	7.18%
2011-12	770,459	744,245	96.60%	33,663	777,908	100.97%	44,549	5.78%
2010-11	768,695	765,066	99.53%	26,163	791,229	102.93%	60,543	7.88%
2009-10	706,081	706,070	100.00%	27,393	733,463	103.88%	86,706	12.28%
2008-09	722,001	717,996	99.45%	38,890	756,886	104.83%	90,594	12.55%
2007-08	741,438	685,776	92.49%	32,662	718,438	96.90%	22,868	3.08%
2006-07	725,271	708,957	97.75%	27,940	736,897	101.60%	38,743	5.34%
2005-06	693,124	683,277	98.58%	9,621	692,898	99.97%	65,233	9.41%
2004-05	595,211	585,614	98.39%	9,420	595,034	99.97%	53,665	9.02%

(1) Includes Commonwealth's PPTRA reimbursement

Source: Commissioner of Revenue, County of Orange and Town Treasurer's office

## **Compliance**



# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Honorable Members of the Town Council  
Town of Orange, 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, and each major fund, of Town of Orange, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Orange, Virginia's basic financial statements, and have issued our report thereon dated Draft, 2014.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Orange, Virginia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Orange, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Orange, 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 Orange, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

Charlottesville, Virginia  
Draft, 2014