TOWN OF ORANGE, VIRGINIA FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2019

TOWN OF ORANGE, VIRGINIA DIRECTORY OF OFFICIALS

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ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

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, 2019, 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.

*Opinion*s

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 Town of Orange, Virginia, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 12 to the financial statements, in 2019, the Town adopted new accounting guidance, GASB Statement No. 88 *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements* and early implemented GASB No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding, on pages 4-9, 78 and 79-90 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.

Supplementary and 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.

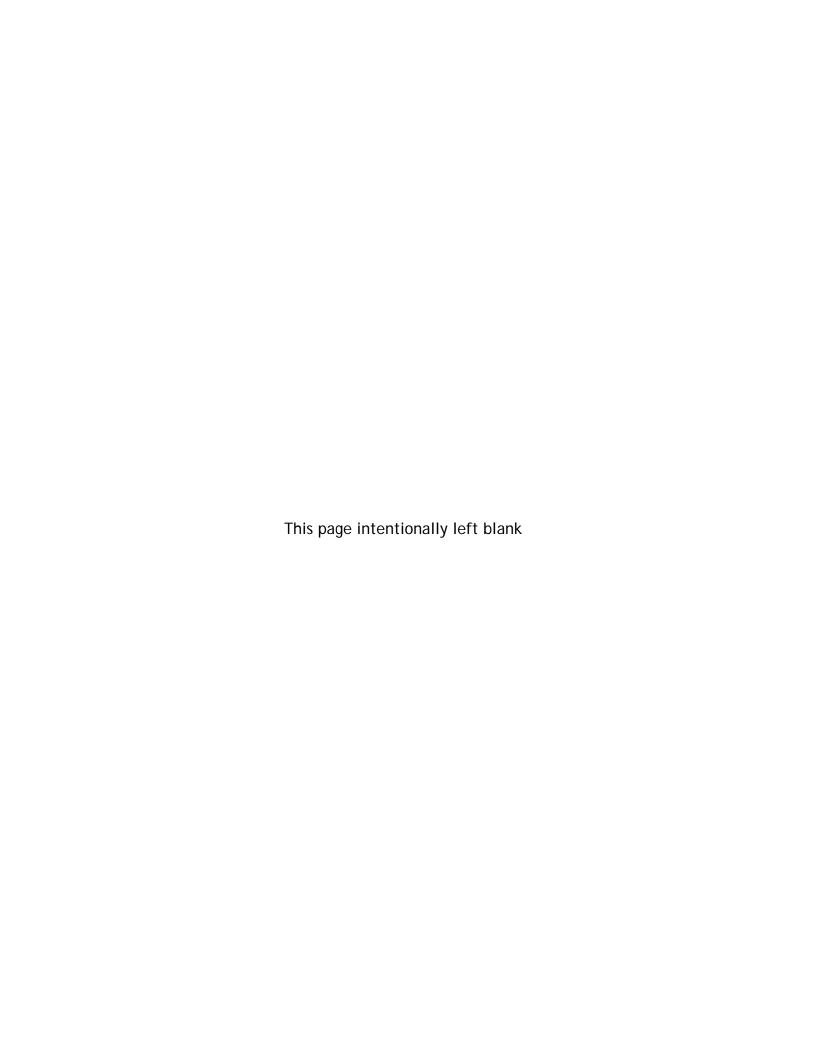
The other statistical information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Town of Orange, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Orange, Virginia's internal control over financial reporting and compliance.

Charlottesville, Virginia November 22, 2019

Robinson, Farmer, Cox Associates





119 Belleview Avenue, Orange Virginia 22960 - 1401 Phone: (540) 672-1020 Fax: (540) 672-2821 Email - directoroffinance@townoforangeva.org

Management's Discussion and Analysis

As management of 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, 2019. Please read it in conjunction with the Town's basic financial statements, which follow this section.

Financial Highlights

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$23.1 million (*net position*). Of this amount, \$1.5 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 \$328,984, of which the governmental activities accounted for an increase of \$243,092 and business-type activities accounted for an increase of \$85,892.
- The total ending fund balance for the Town's governmental funds is \$3,869,187, an increase of \$283,215 over the prior year. The ending fund balance of the general fund was \$3,841,887 and is equal to 75% of the Town's fiscal year 2019 general fund expenditures.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3.8 million, or 86% 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 required and 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).

"A Main Street Community" &
"A Designated Enterprise Zone"

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 10 through 12 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 13 through 16 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 17 through 19 of this report.

Notes to 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 20 through 77 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 schedules related to pension and OPEB funding. Required supplementary information can be found on pages 78 through 90 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 of resources exceeded liabilities and deferred inflows of resources by \$23.1 million at the close of the most recent fiscal year. A large portion of the Town's net position (\$21.5 million, 93% 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, 2019 and June 30, 2018

		Governn Activi		Business-type Activities		Tota	al	
	-	2019	2018	2019 2018		2019	2018	
Current and other assets Capital assets	\$	4,303,246 \$ 7,435,688	4,040,582 \$ 7,634,162	370,614 \$ 28,110,080	243,599 \$ 28,921,630	4,673,860 \$ 35,545,768	4,284,181 36,555,792	
Total assets	\$_	11,738,934 \$	11,674,744 \$	28,480,694 \$	29,165,229 \$	40,219,628 \$	40,839,973	
Deferred outflows of resources	\$_	419,613 \$	418,038 \$	103,330 \$	115,152 \$	522,943 \$	533,190	
Long-term liabilities outstanding Other liabilities	\$	3,036,113 \$ 74,376	3,135,626 \$ 94,848	13,782,577 \$ 285,507	14,659,686 \$ 163,677	16,818,690 \$ 359,883	17,795,312 258,525	
Total liabilities	\$_	3,110,489 \$	3,230,474 \$	14,068,084 \$	14,823,363 \$	17,178,573 \$	18,053,837	
Deferred inflows of resources	\$	460,048 \$	517,390 \$	48,932 \$	75,902 \$	508,980 \$	593,292	
Net investment in capital assets Restricted Unrestricted	\$	6,576,496 \$ 72,721 1,938,793	6,646,598 \$ 108,919 1,589,401	14,938,357 \$ - (471,349)	14,863,253 \$ - (482,137)	21,514,853 \$ 72,721 1,467,444	21,509,851 108,919 1,107,264	
Total net position	\$	8,588,010 \$	8,344,918 \$	14,467,008 \$	14,381,116 \$	23,055,018 \$	22,726,034	

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 \$328,984 during the current fiscal year. The overall decrease is attributed to an increase in operating and capital grant revenues in the governmental funds.

Government-wide Financial Analysis: (Continued)

Governmental activities increased the Town's net position by \$243,092. The following table summarizes the Town's Statement of Activities:

Town of Orange, Virginia
Changes in Net Position
For the Years Ended June 30, 2019 and June 30, 2018

		Governmental Activities			Business	• •	Total				
	-	2019	VI	2018	_	Activi 2019	2018 -	2019	οτa	2018	
Revenues:	-	2019		2010	_	2019	2010	2019	_	2016	
Program revenues:											
Charges for services	\$	619,626	\$	568,155	¢	2,971,123 \$	2,927,759 \$	3,590,749	\$	3,495,914	
Operating grants and	Ψ	017,020	Ψ	300,133	Ψ	Ζ,//1,125 ψ	Ζ,721,137 ψ	3,370,147	Ψ	3,473,714	
contributions		1,348,307		2,228,546		_	_	1,348,307		2,228,546	
Capital grants and		.,0.0,00.						.,0.0,007		_//	
contributions		_		-		40,564	18,330	40,564		18,330	
General revenues:							•	•			
Property taxes		872,952		869,356		-	-	872,952		869,356	
Other taxes		2,273,803		2,256,460		-	-	2,273,803		2,256,460	
Unrestricted revenues from the											
use of money and property		25,776		12,490		5,789	3,250	31,565		15,740	
Miscellaneous		68,910		23,657		245,369	60,737	314,279		84,394	
Grants and contributions not											
restricted to specific programs		289,990		309,463		-	-	289,990		309,463	
Gain on sale of surplus property	_	7,486		6,705	_	<u>-</u>	<u> </u>	7,486	_	6,705	
Total revenues	\$	5,506,850	\$	6,274,832	\$_	3,262,845 \$	3,010,076 \$	8,769,695	\$_	9,284,908	
Expenses:											
General government											
administration	\$	897,957	\$	1,107,261	\$	- \$	- \$	897,957	\$	1,107,261	
Public safety		1,606,968		1,554,318		-	-	1,606,968		1,554,318	
Public works		2,147,876		2,743,120		-	-	2,147,876		2,743,120	
Parks, recreation and cultural		82,372		50,018		-	-	82,372		50,018	
Community development		377,524		355,054		-	-	377,524		355,054	
Interest on long-term obligations		44,416		49,495		-	-	44,416		49,495	
Water fund		-		-		1,450,047	1,596,581	1,450,047		1,596,581	
Sewer fund		-		-		1,833,551	1,787,301	1,833,551	_	1,787,301	
Total expenses	\$	5,157,113	\$	5,859,266	\$_	3,283,598 \$	3,383,882 \$	8,440,711	\$_	9,243,148	
Increase (decrease) in net position b	efo	nre									
transfers and capital contributions		349,737	\$	415,566	\$	(20,753) \$	(373,806) \$	328,984	\$	41,760	
·	-		•				· ·		-	41,700	
Transfers	\$_	(106,645)			-	106,645 \$.\$_		
Increase (decrease) in net position	\$	243,092	\$	415,566	\$_	85,892 \$	(373,806) \$	328,984	\$_	41,760	
Net position - beginning of year,											
as restated	\$	8,344,918	\$	7,929,352	\$_	14,381,116 \$	14,754,922 \$	22,726,034	\$_	22,684,274	
Net position - end of year	\$	8,588, <u>0</u> 10	\$	8,344,918	\$	14,467,008 \$	14,381,116 \$	23,055,018	\$	22,726,034	

Business-type activities increased the Town's net position by \$85,892. 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.

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.

Governmental 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 unassigned 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 2019, the General Fund's operating revenues exceeded expenditure by \$410,241.

At the end of the current fiscal year, unassigned fund balance of the General Fund was \$3,810,970. Nonspendable fund balance was \$30,917 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 (\$471,349). The total net position increased by \$85,892 from the prior year.

General Fund Budgetary Highlights

During the fiscal year, the Town's actual revenue was under budget by \$448,085 with the surplus generated by other local taxes. Expenditures were under budget by \$858,326.

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, 2019, amounts to \$35.6 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)
As of June 30, 2019 and June 30, 2018

	Governm Activit		Business-type Activities		Tota	al
	2019	2018	2019	2018	2019	2018
Land	\$ 1,147,466 \$	984,466 \$	248,292 \$	248,292 \$	1,395,758 \$	1,232,758
Wastewater treatment						
plant	-	-	20,297,100	20,780,364	20,297,100	20,780,364
Buildings	1,932,213	2,002,428	2,009,088	2,097,962	3,941,301	4,100,390
Equipment and						
improvements	425,075	420,420	3,034,050	3,178,282	3,459,125	3,598,702
Road systems	3,763,251	4,076,851	-	-	3,763,251	4,076,851
Water storage facility	-	-	2,521,550	2,616,730	2,521,550	2,616,730
Construction in progress	167,683	149,997	<u> </u>	<u> </u>	167,683	149,997
Total	\$ 7,435,688 \$	7,634,162 \$	28,110,080 \$	28,921,630 \$	35,545,768 \$	36,555,792

Additional information on the Town's capital assets can be found in Note 4 on pages 34 through 36 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 obligations of \$16.8 million and details are summarized in the following table:

Town of Orange, Virginia Outstanding Obligations As of June 30, 2019 and June 30, 2018

		Governmental Activities		Business Activi	J.	Total			
	_	2019	2018	2019	2018	2019	2018		
Bonds Payable:	_	_		_					
General obligation bonds	\$	888,300 \$	1,026,950 \$	2,441,700 \$	2,678,049 \$	3,330,000 \$	3,704,999		
Revenue bonds		-	-	10,730,023	11,380,327	10,730,023	11,380,327		
Notes payable		144,896	163,008	-	-	144,896	163,008		
Net pension liability		1,321,715	1,327,381	456,415	458,373	1,778,130	1,785,754		
Net OPEB liabilities		524,557	457,361	88,729	81,269	613,286	538,630		
Compensated absences		156,645	160,926	65,710	61,668	222,355	222,594		
Total	\$	3,036,113 \$	3,135,626 \$	13,782,577 \$	14,659,686 \$	16,818,690 \$	17,795,312		

Debt associated with governmental activities decreased by \$99,513 while debt associated with business-type activities decreased by \$877,109.

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, 2019.

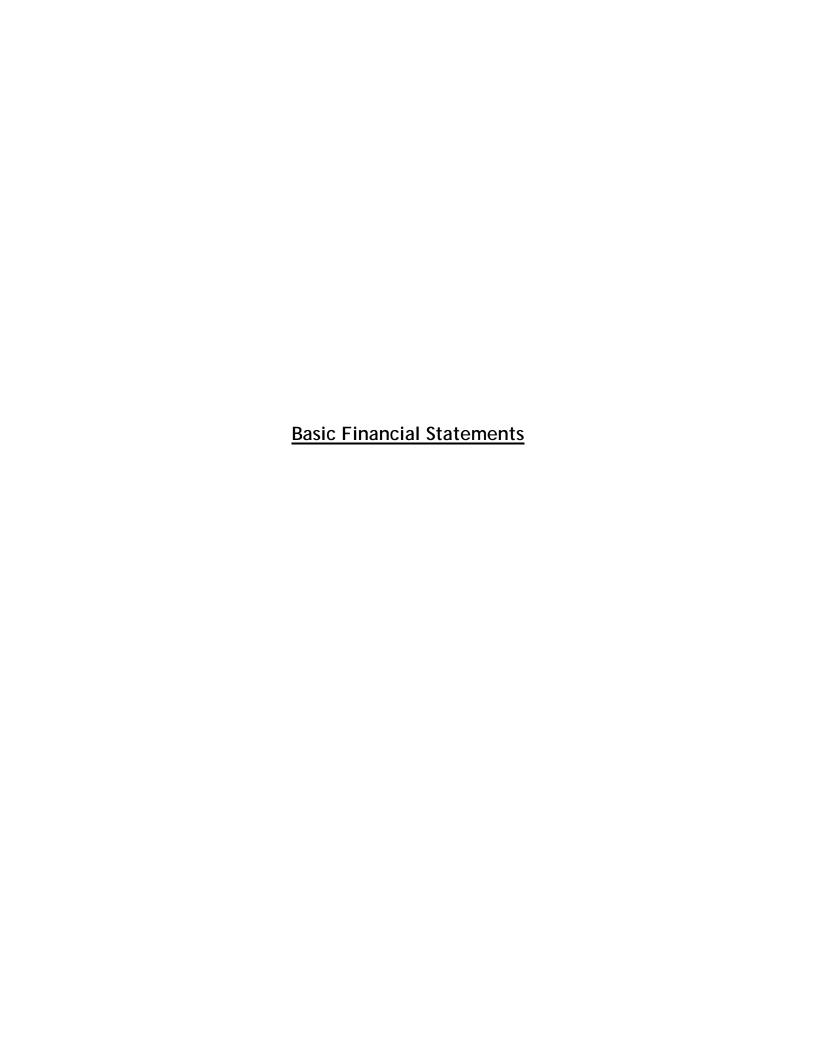
Additional information on the Town's long-term obligations compliance can be found in Note 5.

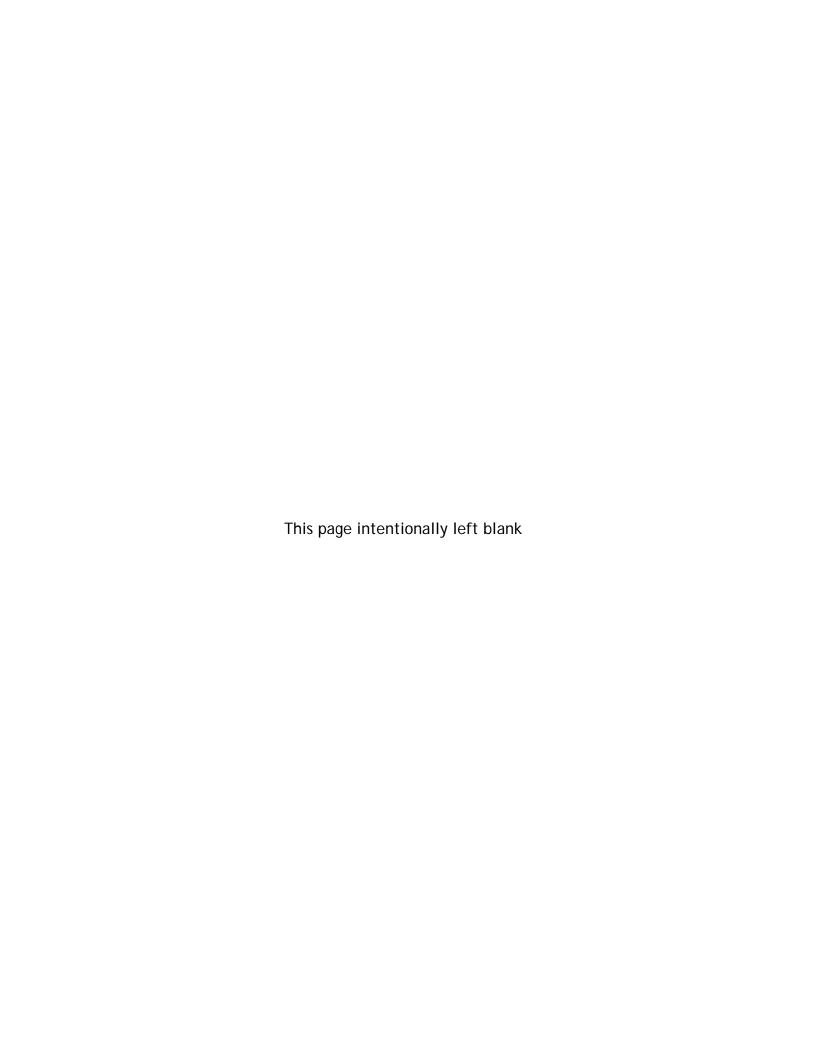
Economic Factors and Next Year's Budgets and Rates

Real estate assessments are conducted by the County of Orange every four years. The most recent property assessments were performed effective with tax year 2016. The real estate tax rate effective for calendar year 2019 is \$.175 per \$100 of assessed value and personal property is \$.83 per \$100 of assessed value. The fiscal year 2020 budget was approved by Town Council on May 20, 2019. The general government fiscal year 2020 budget totaled \$5.223 million including \$451,516 for capital outlay.

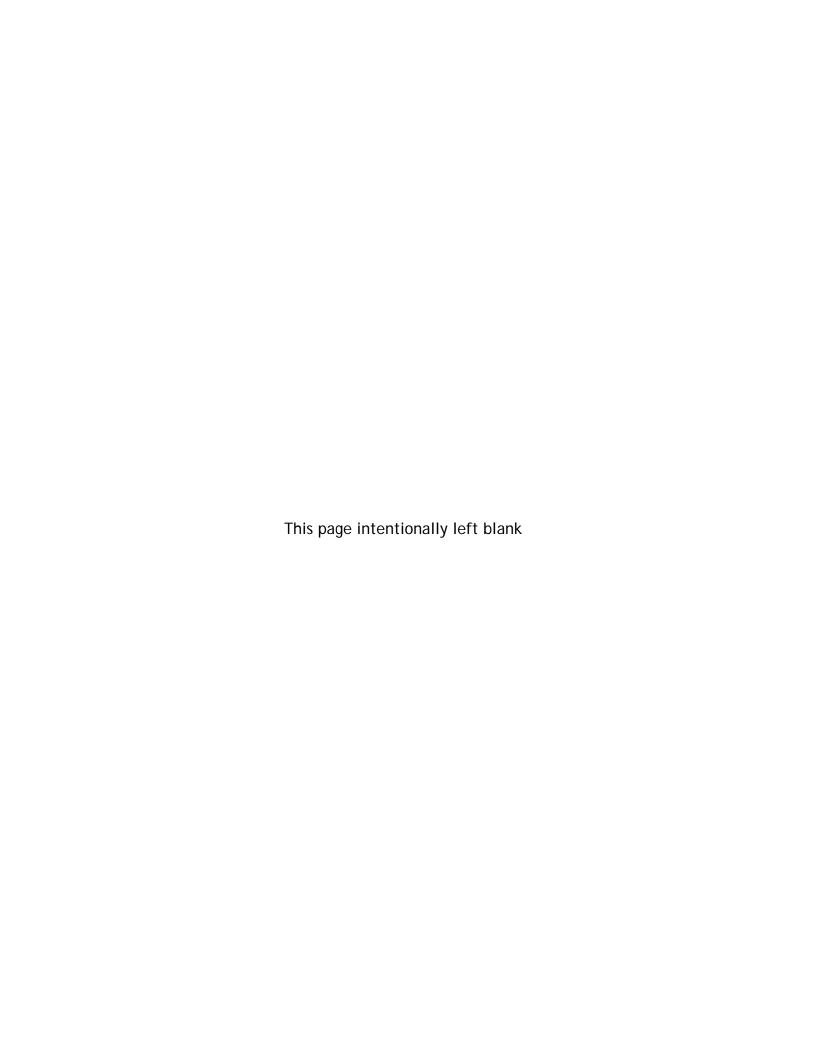
Requests for Information

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 Belleview Avenue, Orange, VA 22960.









			Pri	mary Governme	nt	
	-	Governmental		Business-type		
		Activities		Activities		Total
	-				_	
ASSETS						
Cash and cash equivalents	\$	3,247,147	\$	-	\$	3,247,147
Receivables (net of allowance for uncollectibles):		201.212				001.010
Taxes receivable		396,862		-		396,862
Other local receivables		207,694		420 701		207,694
Accounts receivable Internal balances		160,000		428,701 (160,000)		428,701
Due from other governmental units		187,905		3,368		191,273
Prepaid items		30,917		10,010		40,927
Restricted assets:		30,717		10,010		40,727
Cash and cash equivalents		72,721		88,535		161,256
Capital assets (net of accumulated depreciation):		,_,,_,		00,000		.0.,200
Land		1,147,466		248,292		1,395,758
Wastewater treatment plant		-		20,297,100		20,297,100
Buildings		1,932,213		2,009,088		3,941,301
Equipment and improvements		425,075		3,034,050		3,459,125
Water storage facility		-		2,521,550		2,521,550
Road systems		3,763,251		-		3,763,251
Construction in progress	_	167,683	_	-	_	167,683
Total assets	\$	11,738,934	\$_	28,480,694	\$	40,219,628
DEFENDED OUTELOWS OF DESOURCES						
DEFERRED OUTFLOWS OF RESOURCES	ф	20 100	ф		¢.	20 100
Deferred charge on refunding Pension related items	\$	29,108	Þ		\$	29,108
		305,511		96,585		402,096
OPEB related items	-	84,994		6,745	-	91,739
Total deferred outflows of resources	\$_	419,613	\$_	103,330	\$_	522,943
LIABILITIES						
Accounts payable	\$	14,066	\$	18,661	\$	32,727
Accrued liabilities		52,996		· -		52,996
Accrued interest payable		7,314		25,733		33,047
Bank overdraft payable		-		152,578		152,578
Deposits held		_		88,535		88,535
Long-term liabilities:						,
Due within one year		174,777		895,875		1,070,652
Due in more than one year		2,861,336		12,886,702		15,748,038
•	-					
Total liabilities	\$_	3,110,489	\$_	14,068,084	_ \$ _	17,178,573
DEFERRED INFLOWS OF RESOURCES						
Deferred revenue-property taxes	\$	328,067	\$	_	\$	328,067
Pension related items	,	78,031	•	42,808	•	120,839
OPEB related items		53,950		6,124		60,074
	_					
Total deferred inflows of resources	\$_	460,048	_ \$ _	48,932	_ \$	508,980
NET POSITION						
Net investment in capital assets	\$	6,576,496	\$	14,938,357	\$	21,514,853
Restricted for:						
Taylor park fund		72,721		-		72,721
Unrestricted	_	1,938,793		(471,349)	_	1,467,444
Total net position	\$	8,588,010	\$	14,467,008	\$	23,055,018
ı			=	, ,		

				Program Revenu	ıes	
Functions/Programs		Expenses	 Charges for Services	 Operating Grants and Contributions		Capital Grants and Contributions
PRIMARY GOVERNMENT:						
Governmental activities:						
General government administration	\$	897,957	\$ 332,820	\$ -	\$	-
Public safety		1,606,968	92,549	132,745		-
Public works		2,147,876	192,994	1,211,062		-
Parks, recreation, and cultural		82,372	-	4,500		-
Community development		377,524	1,263	-		-
Interest on long-term debt		44,416	 -	 -		
Total governmental activities	\$	5,157,113	\$ 619,626	\$ 1,348,307	\$	
Business-type activities:						
Water	\$	1,450,047	\$ 1,301,768	\$ -	\$	11,786
Sewer	_	1,833,551	 1,669,355	 -		28,778
Total business-type activities	\$	3,283,598	\$ 2,971,123	\$ -	\$	40,564
Total primary government	\$	8,440,711	\$ 3,590,749	\$ 1,348,307	\$	40,564

General revenues:

General property taxes

Other local taxes:

Local sales and use tax

Consumers' utility tax

Bank franchise tax

Restaurant food tax

Transient/occupancy tax

Tobacco tax

Other local taxes

Unrestricted revenues from use of money and property

Miscellaneous

Grants and contributions not restricted to specific programs

Gain (loss) on disposal of surplus property

Transfers

Total general revenues and transfers

Change in net position Net position - beginning

Net position - ending

Net (Expense) Revenue and
Changes in Net Position

•	Primary Government												
•	Governmental												
	Activities		Activities		Total								
•		-											
\$	(565,137)	\$	-	\$	(565,137)								
	(1,381,674)		-		(1,381,674)								
	(743,820)		-		(743,820)								
	(77,872)		-		(77,872)								
	(376,261)		-		(376,261)								
	(44,416)	_	-		(44,416)								
\$	(3,189,180)	\$_	-	\$	(3,189,180)								
Φ.		Φ.	(127, 402)	Φ.	(127, 402)								
\$	-	\$	(136,493)	\$	(136,493)								
		-	(135,418)		(135,418)								
\$		\$_	(271,911)	\$	(271,911)								
\$	(3,189,180)	\$	(271,911)	\$	(3,461,091)								
\$	872,952	\$	-	\$	872,952								
	231,072		-		231,072								
	240,652		-		240,652								
	178,975		-		178,975								
	1,289,772 149,260		-		1,289,772 149,260								
	77,520				77,520								
	106,552		-		106,552								
	25,776		5,789		31,565								
	68,910		245,369		314,279								
	289,990		-		289,990								
	7,486		-		7,486								
	(106,645)	_	106,645										
\$	3,432,272	\$_	357,803	\$	3,790,075								
\$	•	\$	85,892	\$	328,984								
	8,344,918	_	14,381,116		22,726,034								
\$	8,588,010	\$	14,467,008	\$	23,055,018								

Balance Sheet Governmental Funds As of June 30, 2019

	_	General	 Taylor Park		Capital Projects	Total
ASSETS						
Cash and cash equivalents (Note 1)	\$	3,292,568	\$ -	\$	- \$	3,292,568
Receivables (net of allowance						
for uncollectibles):						
Taxes receivable (Note 1)		396,862	-		-	396,862
Other local revenues		207,694	-		-	207,694
Due from other funds		160,000	-		-	160,000
Due from other governmental units (Note 3)		187,905	-		-	187,905
Prepaid items		30,917	-		-	30,917
Restricted assets:						
Cash and cash equivalents	_	-	 72,721		<u> </u>	72,721
Total assets	\$	4,275,946	\$ 72,721	\$	<u> </u>	4,348,667
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES						
Liabilities:						
Accounts payable	\$	14,066	\$ -	\$	- \$	14,066
Accrued liabilities		52,996	-		-	52,996
Bank overdraft payable	_	-	 -	_	45,421	45,421
Total liabilities	\$	67,062	\$ -	\$	45,421 \$	112,483
Deferred inflows of resources:						
Unavailable revenue - property taxes	\$	366,997	\$ -	\$	- \$_	366,997
Fund balances:						
Nonspendable:						
Prepaid items	\$	30,917	\$ _	\$	- \$	30,917
Restricted:						
Taylor Park fund		-	72,721		-	72,721
Unassigned	_	3,810,970	 <i>.</i> -	_	(45,421)	3,765,549
Total fund balances	\$	3,841,887	\$ 72,721	\$	(45,421) \$	3,869,187

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
As of June 30, 2019

Amounts reported for governmental activities in the statement of net position are different because:				
Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds			\$	3,869,187
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				7,435,688
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				38,930
Interest paid on long-term debt is not accrued in governmental funds, but rather is recognized when paid.				(7,314)
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.				
ů ů	\$	29,108		
Pension related items		305,511		410 / 10
OPEB related items	_	84,994		419,613
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	\$	(888,300)		
Notes payable		(144,896)		
Net pension liability		(1,321,715)		
Net OPEB liabilities		(524,557)		(2.02/.112)
Compensated absences	_	(156,645)		(3,036,113)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.				
Pension related items	\$	(78,031)		
OPEB related items	_	(53,950)	_	(131,981)
Net position of governmental activities			\$	8,588,010

Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds

For the Year Ended June 30, 2019

		General		Taylor Park		Capital Projects		Total
REVENUES	_		_		-		_	
General property taxes	\$	882,249	\$	-	\$	-	\$	882,249
Other local taxes		2,273,803		-		-		2,273,803
Permits, privilege fees, and regulatory licenses		1,263		-		-		1,263
Fines and forfeitures		92,549		-		-		92,549
Revenue from the use of money and property		25,047		729		-		25,776
Charges for services		192,994		-		-		192,994
Miscellaneous		16,685		-		59,711		76,396
Recovered costs		61,055		-		-		61,055
Revenue from internal sources		332,820		-		-		332,820
Intergovernmental:								
Commonwealth		1,521,985		-		10,620		1,532,605
Federal	_	105,692	_	-	_	-	_	105,692
Total revenues	\$_	5,506,142	\$_	729	\$_	70,331	\$_	5,577,202
EXPENDITURES								
Current:								
General government administration	\$	726,049	\$	-	\$	-	\$	726,049
Public safety		1,537,340		-		-		1,537,340
Public works		1,611,253		-		-		1,611,253
Parks, recreation, and cultural		24,151		36,927		-		61,078
Community development		133,296		-		-		133,296
Nondepartmental		216,580		-		-		216,580
Capital outlay		670,839		-		54,514		725,353
Debt service:								
Principal retirement		156,762		-		-		156,762
Interest and other fiscal charges	_	19,631	_	-	_	-	_	19,631
Total expenditures	\$_	5,095,901	\$_	36,927	\$_	54,514	\$_	5,187,342
Excess (deficiency) of revenues over								
(under) expenditures	\$_	410,241	\$	(36,198)	\$_	15,817	\$	389,860
OTHER FINANCING SOURCES (USES)								
Transfers out	\$	(106,645)	\$	-	\$_	-	\$	(106,645)
Total other financing sources (uses)	\$	(106,645)	\$	-	\$	-	\$	(106,645)
Net change in fund balances	\$	303,596	\$	(36,198)	\$	15,817	\$	283,215
Fund balances - beginning	Ψ	3,538,291	Ψ	108,919	Ψ_	(61,238)	Ψ <u></u>	3,585,972
Fund balances - ending	\$	3,841,887	\$	72,721	\$	(45,421)	\$	3,869,187

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, 2019

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

Net change in fund balances - total governmental funds

\$ 283,215

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	\$ 421,879	
Depreciation expense	 (620,353)	(198,474)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

(9,298)

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	\$	138,650	
Principal retired on notes payable		18,112	156,762
nme expenses reported in the statement of activities do not require the use of cur	ront		

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.

Change in accrued interest payable	\$ 1,351	
Change in compensated absences	4,281	
Pension expense	35,146	
OPEB expense	(19,613)	
Amortization of deferred charge on refunding	(10,278)	10,887

Change in net position of governmental activities \$ 243,092

Statement of Net Position Proprietary Funds As of June 30, 2019

		Enterprise Funds				
		Water Fund		Sewer Fund	Total	
ASSETS			_			
Current assets:	Φ.	707.000	•	Φ.	707.000	
Cash and cash equivalents Accounts receivable (net of allowances	\$	727,030	\$	- \$	727,030	
for uncollectibles)		186,771		241,930	428,701	
Restricted assets:		,		,	•	
Cash and cash equivalents		88,535		-	88,535	
Due from other governmental units Prepaid items		2,696		3,368 7,314	3,368 10,010	
·	_					
Total current assets	\$	1,005,032	_ \$	252,612 \$	1,257,644	
Noncurrent assets:						
Capital assets (net of accumulated depreciation): Land	\$	160,251	¢	88,041 \$	248,292	
Waste water treatment plant	Φ	100,231	Ф	20,297,100	20,297,100	
Buildings		510,323		1,498,765	2,009,088	
Equipment and improvements		1,904,323		1,129,727	3,034,050	
Water storage facility	_	2,521,550		-	2,521,550	
Total capital assets, net	\$	5,096,447	\$_	23,013,633 \$	28,110,080	
Total assets	\$	6,101,479	\$	23,266,245 \$	29,367,724	
DEFERRED OUTFLOWS OF RESOURCES						
Pension related items	\$	45,957	\$	50,628 \$	96,585	
OPEB related items	_	3,416		3,329	6,745	
Total deferred outflows of resources	\$	49,373	- \$_	53,957 \$	103,330	
LIABILITIES						
Current liabilities: Accounts payable and accrued expenses	\$	10,450	¢	8,211 \$	18,661	
Accrued interest payable	Ψ	19,352	Ψ	6,381	25,733	
Bank overdraft payable		-		879,608	879,608	
Deposits held		88,535		-	88,535	
Compensated absences, current portion		3,599		2,972	6,571	
Bonds payable, current portion	_	116,000		773,304	889,304	
Total current liabilities	\$ <u></u>	237,936	\$_	1,670,476 \$	1,908,412	
Noncurrent liabilities:		4/0.000	_			
Due to other funds	\$	160,000	\$	- \$	160,000	
Net pension liability Net OPEB liabilities		210,948 45,604		245,467 43,125	456,415 88,729	
Compensated absences, net of current portion		32,394		26,745	59,139	
Bonds payable, net of current portion		1,550,800		10,731,619	12,282,419	
Total noncurrent liabilities	\$	1,999,746	\$	11,046,956 \$	13,046,702	
Total liabilities	\$	2,237,682	\$	12,717,432 \$	14,955,114	
DEFERRED INFLOWS OF RESOURCES						
Pension related items OPEB related items	\$	12,379 3,033	\$	30,429 \$ 3,091	42,808 6,124	
Total deferred inflows of resources	\$	15,412	\$_	33,520 \$	48,932	
NET POSITION						
Net investment in capital assets Unrestricted	\$	3,429,647 468,111	\$	11,508,710 \$ (939,460)	14,938,357 (471,349)	
Total net position	\$	3,897,758	\$	10,569,250 \$	14,467,008	
Total flot position	Ψ	3,071,130		10,007,200 \$	14,407,000	

Statement of Revenues, Expenses, and Changes in Net Position Proprietary Funds For the Year Ended June 30, 2019

	_	Enterprise Funds						
	_	Water Fund	. <u>-</u>	Sewer Fund	_	Total		
OPERATING REVENUES								
Charges for services:								
Charges for services and connection fees	\$	1,301,768	\$	1,669,355	\$	2,971,123		
Miscellaneous	_	46,842	_	198,527	_	245,369		
Total operating revenues	\$_	1,348,610	\$	1,867,882	\$	3,216,492		
OPERATING EXPENSES								
Personnel services	\$	326,051	\$	350,916	\$	676,967		
Fringe benefits		158,262		136,739		295,001		
Contractual services/maintenance		82,396		83,721		166,117		
Materials and supplies		248,616		280,130		528,746		
Utilities		140,153		144,752		284,905		
Internal services		181,224		151,596		332,820		
Other charges		32		2		34		
Depreciation	_	265,367	_	669,748	_	935,115		
Total operating expenses	\$_	1,402,101	\$_	1,817,604	\$	3,219,705		
Operating income (loss)	\$_	(53,491)	\$	50,278	\$	(3,213)		
NONOPERATING REVENUES (EXPENSES)								
Interest earned	\$	5,789	\$	-	\$	5,789		
Interest and fiscal charges	_	(47,946)	. <u>. </u>	(15,947)	_	(63,893)		
Total nonoperating revenues (expenses)	\$_	(42,157)	\$_	(15,947)	\$	(58,104)		
Income (loss) before capital contributions,								
grants, and transfers	\$_	(95,648)	\$_	34,331	\$	(61,317)		
Capital contributions and grants	\$	11,786	\$	28,778	\$	40,564		
Transfers in (out)	_	106,645	_	-		106,645		
Change in net position	\$	22,783	\$	63,109	\$	85,892		
Net position - beginning	_	3,874,975	_	10,506,141	_	14,381,116		
Net position - ending	\$_	3,897,758	\$	10,569,250	\$	14,467,008		

Statement of Cash Flows Proprietary Funds For the Year Ended June 30, 2019

		Ent	terprise Funds	
		Water Fund	Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$	1,343,617 \$	1,866,146 \$	3,209,763
Payments to suppliers		(659,894)	(594,340)	(1,254,234)
Payments to and on behalf of employees	_	(482,286)	(495,285)	(977,571)
Net cash provided by (used for) operating activities	\$	201,437 \$	776,521 \$	977,958
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITES				
Acquisition and construction of capital assets	\$	(106,645)\$	(16,920) \$	(123,565)
Capital and debt related transfers		106,645	-	106,645
Capital contributions		11,786	28,778	40,564
Principal payments on bonds		(115,400)	(771,254)	(886,654)
Interest payments	_	(49,263)	(17,125)	(66,388)
Net cash provided by (used for) capital and related				
financing activities	\$	(152,877) \$	(776,521) \$	(929,398)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	\$	5,789 \$	- \$_	5,789
Net increase (decrease) in cash and cash equivalents	\$	54,349 \$	- \$	54,349
Cash and cash equivalents - beginning (including restricted)	_	761,216		761,216
Cash and cash equivalents - ending (including restricted)	\$_	815,565 \$	<u> </u>	815,565
Reconciliation of operating income (loss) to net				
cash provided by (used for) operating activities:				
Operating income (loss)	\$	(53,491) \$	50,278 \$	(3,213)
Adjustments to reconcile operating income (loss) to				
net cash provided by (used for) operating activities:		0/5 0/7	((0.740	005 445
Depreciation expense		265,367	669,748	935,115
Changes in operating assets, deferred outflows of resources, liabilities, and deferred inflows of resources:				
(Increase) decrease in receivables		(4,993)	(1,736)	(6,729)
(Increase) decrease in due from other governmental units		(4,773)	(218)	(218)
(Increase) decrease in prepaid items		164	(184)	(20)
(Increase) decrease in deferred outflows of resources		4,165	7,657	11,822
Increase (decrease) in accounts payable and accrued expenses		(7,637)	(20,616)	(28,253)
Increase (decrease) in bank overdraft payable		-	86,879	86,879
Increase (decrease) in net pension liability		(904)	(1,054)	(1,958)
Increase (decrease) in net OPEB liabilities		4,192	3,268	7,460
Increase (decrease) in compensated absences		6,069	(2,026)	4,043
Increase (decrease) in deferred inflows of resources	_	(11,495)	(15,475)	(26,970)
Net cash provided by (used for) operating activities	\$	201,437 \$	776,521 \$	977,958

Notes to Financial Statements
As of June 30, 2019

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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.

<u>Individual Component Unit Disclosures</u>

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

<u>Government-wide financial statements</u> - 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. 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.

<u>Statement of Net Position</u> - The Statement of Net Position is designed to display the financial position of the primary government (governmental 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.

Notes to Financial Statements As of June 30, 2019 (Continued)

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

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

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

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

<u>Budgetary comparison schedules</u> - 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. 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 (GASB). 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.

Notes to Financial Statements As of June 30, 2019 (Continued)

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

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

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.

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.

 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. The Taylor Park Fund is considered a major fund.

Notes to Financial Statements As of June 30, 2019 (Continued)

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

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

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.

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.

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.

Notes to Financial Statements As of June 30, 2019 (Continued)

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

D. <u>Budgets and Budgetary Accounting: (Continued)</u>

- 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 commit that portion of the applicable appropriations, is not part of the Town's accounting system.

Excess expenditures over appropriations:

		Excess of
		Expenditures Over
Fund		Appropriations
General		
Community Development	\$	9,647
Nondepartmental	_	14,359
Total	\$	24,006

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, 2019, the allowances amounted to \$4,636 for property taxes, \$76,054 for water charges and \$107,543 for sewer charges.

Notes to Financial Statements As of June 30, 2019 (Continued)

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

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

Funds for Taylor Park and customer deposits are classified as restricted assets on the Balance Sheet and Statement of Net Position because their uses are limited to specific purposes.

H. Capital Assets

Capital assets, which include property, plant and equipment, infrastructure, and road systems, are reported in the applicable governmental or business-type activities 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 acquisition value at the date of donation.

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.

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

Notes to Financial Statements As of June 30, 2019 (Continued)

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

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 has multiple items that qualify for reporting in this category. One item is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other two items are comprised of certain items related to the measurement of the net pension and OPEB liabilities and contributions to the pension and OPEB plans made during the current year and subsequent to the measurement dates. For more detailed information on these items, reference the related notes.

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

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. 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.

Notes to Financial Statements As of June 30, 2019 (Continued)

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

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 semiannually 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. Prepaid Items

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

O. Net Position

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

Notes to Financial Statements As of June 30, 2019 (Continued)

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

P. Net Position Flow Assumption

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

Q. Investments

Money market investments, repurchase agreements that have a remaining maturity at time of purchase of one year or less, and external investment pools are measured at amortized cost.

All other investments are reported at fair 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.

R. Fund Balance

The Town reports fund balance in accordance with GASB standards. 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.

Notes to Financial Statements As of June 30, 2019 (Continued)

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

R. Fund Balance: (Continued)

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.

S. Pensions

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

T. Other Postemployment Benefits (OPEB)

For purposes of measuring the net VRS related OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI and LODA OPEB Plans and the additions to/deductions from the VRS OPEB Plans' net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

U. Upcoming Pronouncements

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

Notes to Financial Statements As of June 30, 2019 (Continued)

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

U. <u>Upcoming Pronouncements: (Continued)</u>

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

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

NOTE 2—DEPOSITS AND INVESTMENTS:

Deposits:

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

Investments:

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

Notes to Financial Statements As of June 30, 2019 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

Custodial Credit Risk (Investments):

The Town does not have an investment policy.

The Town's investments at June 30, 2019 were held by the Town or in the Town's name by the Town's custodial banks.

Town's Rated Debt Investments										
Rated Debt Investments Value		Fair Quality Ratings								
	_	AAAm		AAf/S1						
Local Government Investment Pool	\$	8,959	\$	-						
Virginia Investment Pool	_	363,958		153,215						
Total	\$	372,917	\$	153,215						

Interest Rate Risk:

The Town reports investments and the maturities as follows:

	_	Investment Maturity*						
Investment Type		Value		Less than 1		1-5 Years		
Local Government Investment Pool Virginia Investment Pool	\$	8,959 517,173	\$	8,959 363,958	\$	- 153,215		
Total investments	\$_	526,132	\$	372,917	\$	153,215		

^{*} Weighted average maturity in years.

External Investment Pool:

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

Redemption Restrictions:

VML/VACO Virginia Investment Pool (VIP) allows the Town to withdraw funds twice a month, with a five-day notice. Additionally, funds are available to meet unexpected needs such as fluctuations in revenue sources and one-time events such as disasters, immediate capital needs, state budget cuts, etc.

Fair Value Measurements:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Town has measured fair value of its VIP investment at the net asset value.

Notes to Financial Statements As of June 30, 2019 (Continued)

NOTE 3-DUE FROM OTHER GOVERNMENTS:

Commonwealth of Virginia:	
Communications tax	\$ 23,919
Auto rental tax	3,713
Highway construction	118,567
Nutrient exchange	3,368
County of Orange:	
Local Sales Tax	 41,706
Total	\$ 191,273

NOTE 4—CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2019 was as follows:

		Balance July 1, 2018		Additions		Retirements		Balance June 30, 2019
Governmental Activities:	_						_	
Capital assets, not being depreciated:	\$	984,466	¢	163,000	¢	-	¢	1,147,466
Construction in progress	Ψ_	149,997	Ψ _	17,686	Ψ.	-	φ _	167,683
Total capital assets,	Φ.	1 104 1/0	•	100 (0)	•		Φ.	1 015 140
not being depreciated	\$ _	1,134,463	\$ _	180,686	\$	-	\$_	1,315,149
Capital assets, being depreciated:								
Buildings	\$	3,125,805	\$	-	\$	-	\$	3,125,805
Equipment and improvements		3,150,263		241,193		-		3,391,456
Road systems	_	6,271,994	_	-		-	_	6,271,994
Total capital assets being								
depreciated	\$_	12,548,062	\$_	241,193	\$	-	\$_	12,789,255
Less accumulated depreciation for:								
Buildings	\$	(1,123,377)	\$	(70,215)	\$	-	\$	(1,193,592)
Equipment and improvements		(2,729,843)		(236,538)		-		(2,966,381)
Road systems	_	(2,195,143)	_	(313,600)		-	_	(2,508,743)
Total accumulated depreciation	\$_	(6,048,363)	\$_	(620,353)	\$	-	\$	(6,668,716)
Total capital assets, being								
depreciated, net	\$_	6,499,699	\$_	(379,160)	\$	-	\$_	6,120,539
Governmental activities capital								
assets, net	\$_	7,634,162	\$_	(198,474)	\$	-	\$_	7,435,688

Notes to Financial Statements As of June 30, 2019 (Continued)

NOTE 4—CAPITAL ASSETS: (CONTINUED)

		Balance July 1, 2018		Additions		Retirements		Balance June 30, 2019
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 Wastewater treatment plant Equipment and improvements Water storage facility	\$	4,431,353 24,163,214 10,877,325 3,807,196	\$	- - 123,565 -	\$	- - - -	\$	4,431,353 24,163,214 11,000,890 3,807,196
Total capital assets being depreciated	\$_	43,279,088	\$ <u>_</u>	123,565	\$_	-	\$_	43,402,653
Less accumulated depreciation for: Buildings Wastewater treatment plant Equipment and improvements Water storage facility	\$	(2,333,390) (3,382,850) (7,699,043) (1,190,467)	\$	(88,875) (483,264) (267,797) (95,179)		- - - -	\$	(2,422,265) (3,866,114) (7,966,840) (1,285,646)
Total accumulated depreciation	\$_	(14,605,750)	\$_	(935,115)	\$	-	\$_	(15,540,865)
Total capital assets, being depreciated, net	\$_	28,673,338	\$ <u>_</u>	(811,550)	\$_	<u>-</u>	\$_	27,861,788
Business-type activities capital assets, net	\$_	28,921,630	\$_	(811,550)	\$	-	\$	28,110,080

Notes to Financial Statements As of June 30, 2019 (Continued)

NOTE 4—CAPITAL ASSETS: (CONTINUED)

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

Governmental activities:	
General government administration	\$ 168,346
Public safety	40,379
Public works	408,334
Parks, recreation and cultural	 3,294
Total depreciation expense - governmental activities	\$ 620,353
Business-type activities:	
Water	\$ 265,367
Sewer	 669,748
Total depreciation expense - business-type activities	\$ 935,115

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, 2019:

	_	Balance July 1, 2018	Issuances/ Increases		Retirements/ Decreases		Balance June 30, 2019
Net Pension Liability (Note 7)	\$	1,327,381 \$	686,879	\$	692,545	\$	1,321,715
Net OPEB Liabilities (Note 11)		457,361	145,477		78,281		524,557
Compensated Absences (Note 6)		160,926	-		4,281		156,645
Direct borrowings and direct placements:							
General Obligation Bonds		1,026,950	-		138,650		888,300
Notes Payable	_	163,008			18,112		144,896
Total	\$_	3,135,626 \$	832,356	\$	931,869	\$	3,036,113

Notes to Financial Statements As of June 30, 2019 (Continued)

NOTE 5—LONG-TERM OBLIGATIONS: (CONTINUED)

Governmental Activities: (Continued)

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

		Direct Borrowi	lacements			
Year Ending		Bond	S	Notes		
June 30,		Principal	Interest	Principal		
2020	\$	141,000 \$	16,765 \$	18,112		
2021		143,350	13,850	18,112		
2022		148,050	10,863	18,112		
2023		150,400	4,984	18,112		
2024		150,400	4,721	18,112		
2025-2027	_	155,100	1,590	54,336		
Total	\$	888,300 \$	52,773 \$	144,896		

Details of Long-term Obligations:

	Total Amount	Amount Due Within One Year
<u>Direct Borrowings and Direct Placements:</u>		
\$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. \$	888,300 \$	141,000
\$181,123 Note payable to County of Orange, Virginia. Payments of \$18,112 due annually through 2027, bearing interest at 0%.	144,896	18,112
Net pension liability (Note 7)	1,321,715	-
Compensated absences (Note 6)	156,645	15,665
Net OPEB liabilities (Note 11)	524,557	_
Total governmental activities long-term obligations \$	3,036,113 \$	174,777

Notes to Financial Statements As of June 30, 2019 (Continued)

NOTE 5—LONG-TERM OBLIGATIONS: (CONTINUED)

Governmental Activities: (Continued)

Business-type Activities:

<u>Changes in Long-term Obligations:</u>

	_	Balance Issuances/ July 1, 2018 Increases		Retirements/ Decreases			Balance June 30, 2019	
Net Pension Liability (Note 7)	\$	458,373 \$	237,193	\$	239,151	\$	456,415	
Net OPEB Liabilities (Note 11)		81,269	14,179		6,719		88,729	
Compensated Absences (Note 6)		61,668	4,042		-		65,710	
Direct borrowings and direct placements:								
General Obligation Bonds		2,678,049	-		236,349		2,441,700	
Revenue Bonds		11,380,327	-		650,304		10,730,023	
Total	\$_	14,659,686 \$	255,414	\$	1,132,523	\$	13,782,577	

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

Direct Borrowings and Direct Placements

Year Ending	_	ond	ds			
June 30,	<u> </u>	Principal		Interest		
2020	\$	889,304	\$	60,795		
2021		891,954		55,148		
2022		907,254		49,347		
2023		909,904		40,062		
2024		909,904		37,110		
2025-2029		3,921,422		118,834		
2030-2034		3,766,522		38,719		
2035-2036		975,459		-		
Total	\$	13,171,723	\$	400,015		

Notes to Financial Statements As of June 30, 2019 (Continued)

NOTE 5-LONG TERM OBLIGATIONS: (CONTINUED)

Business-type Activities: (Continued)

Details of Long-term Obligations:

	Total	Amount Due Within	
	Amount	One Year	
<u>Direct Borrowings and Direct Placements:</u> <u>Bonds Payable:</u>			_
\$16,177,744 Revenue bonds, Series 2008 issued May 1, 2008 payable in semi-annual principal payments of \$325,152 beginning May 1, 2011. Interest at 0.0%. Final payment due December 2036.	\$ 10,730,023	\$ 650,304	
\$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.	921,700	123,000	
\$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.	 1,520,000	116,000	_
Total bonds payable	\$ 13,171,723	\$ 889,304	_
Net pension liability (Note 7)	\$ 456,415	\$ -	
Compensated absences (Note 6)	65,710	6,571	
Net OPEB liabilities (Note 11)	88,729		
Total business-type long-term obligations	\$ 13,782,577	\$ 895,875	=

NOTE 6—COMPENSATED ABSENCES:

In accordance with GASB standards, 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 \$156,645 and the Enterprise Funds have outstanding accrued leave pay of \$65,710.

Notes to Financial Statements As of June 30, 2019 (Continued)

NOTE 7—PENSION PLAN:

Plan Description

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

Benefit Structures

The System administers three different benefit structures for covered employees - Plan 1, Plan 2 and Hybrid. Each of these benefit structures has different eligibility criteria, as detailed below.

- a. Employees hired before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of creditable service or age 50 with at least 30 years of creditable service. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of creditable service or age 50 with at least 10 years of creditable service. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.
- b. Employees hired 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 are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service or when the sum of their age and service equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.
- c. Non-hazardous duty employees hired on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service, or when the sum of their age and service equal 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

Notes to Financial Statements As of June 30, 2019 (Continued)

NOTE 7-PENSION PLAN: (CONTINUED)

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total creditable service. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.7% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.7% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.7% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

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

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

Employees Covered by Benefit Terms

As of the June 30, 2017 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	37
Inactive members:	
Vested inactive members	17
Non-vested inactive members	22
Inactive members active elsewhere in VRS	51
Total inactive members	90
Active members	47
Total covered employees	174

Notes to Financial Statements As of June 30, 2019 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the <u>Code of Virginia</u>, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement

The Town's contractually required employer contribution rate for the year ended June 30, 2019 was 13.68% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$310,630 and \$301,386 for the years ended June 30, 2019 and June 30, 2018, respectively.

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. The Town's net pension liabilities were measured as of June 30, 2018. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2017, and rolled forward to the measurement date of June 30, 2018.

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Inflation 2.5%

Salary increases, including inflation 3.5% - 5.35%

Investment rate of return 7.0%, net of pension plan investment

expenses, including inflation*

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

Notes to Financial Statements As of June 30, 2019 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees: (Continued)

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Notes to Financial Statements As of June 30, 2019 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees: (Continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-Hazardous Duty:

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

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

`	3
Mortality Rates (pre-retirement, post-	Updated to a more current mortality table - RP-2014
retirement healthy, and disabled)	projected to 2020
Retirement Rates	Lowered rates at older ages and changed final
	retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age
	and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Notes to Financial Statements As of June 30, 2019 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Inflation 2.5%

Salary increases, including inflation 3.5% - 4.75%

Investment rate of return 7.0%, net of pension plan investment

expenses, including inflation*

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Notes to Financial Statements As of June 30, 2019 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Hazardous Duty:

Updated to a more current mortality table - RP-2014
projected to 2020
Lowered rates at older ages
Adjusted rates to better fit experience
Increased rates
No change
Increased rate from 60% to 70%

All Others (Non Largest 10) - Hazardous Duty:

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

Notes to Financial Statements As of June 30, 2019 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

Long-Term Expected Rate of Return

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

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

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

Notes to Financial Statements As of June 30, 2019 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Town was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015 actuarial valuations, whichever was greater. From July 1, 2018 on, participating employers and school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)					
		Total Pension Liability (a)	_	Plan Fiduciary Net Position (b)		Net Pension Liability (a) - (b)
Balances at June 30, 2017	\$	8,745,784	\$	6,960,032	\$	1,785,752
Changes for the year:						
Service cost	\$	281,679	\$	-	\$	281,679
Interest		599,024		-		599,024
Differences between expected						
and actual experience		38,568		-		38,568
Contributions - employer		-		301,386		(301,386)
Contributions - employee		-		113,708		(113,708)
Net investment income		-		516,602		(516,602)
Benefit payments, including refunds						
of employee contributions		(376,607)		(376,607)		-
Administrative expenses		-		(4,336)		4,336
Other changes		-		(467)		467
Net changes	\$	542,664	\$	550,286	\$	(7,622)
Balances at June 30, 2018	\$	9,288,448	\$	7,510,318	\$	1,778,130

Notes to Financial Statements As of June 30, 2019 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

		Rate			
	_	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)	
Town's Net Pension Liability	\$	3,142,729 \$	1,778,129 \$	659,991	

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

For the year ended June 30, 2019, the Town recognized pension expense of \$264,714. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	_	Deferred Outflows of Resources	_	Deferred Inflows of Resources
Differences between expected and actual experience	\$	73,490	\$	-
Changes in assumptions		-		40,072
Changes in proportionate share		17,976		17,976
Net difference between projected and actual earnings on pension plan investments		-		62,791
Employer contributions subsequent to the measurement date	_	310,630	_	
Total	\$_	402,096	\$_	120,839

Notes to Financial Statements As of June 30, 2019 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: (Continued)

\$310,630 reported as deferred outflows of resources related to pensions resulting from the Town's contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	_	
2020	\$	45,918
2021		939
2022		(70,585)
2023		(5,645)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

NOTE 8-DEFERRED/UNAVAILABLE REVENUE:

Deferred/unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Under the accrual basis of accounting, assessments for future periods were deferred.

<u>Unavailable Property Tax Revenue</u> - Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$356,331 (including 2nd ½ tax billings of \$317,401 not due until December 5) at June 30, 2019.

<u>Prepaid Property Taxes</u> - Property taxes due subsequent to June 30, 2019 but paid in advance by the taxpayers totaled \$10,666 at June 30, 2019.

NOTE 9—INTERFUND LOANS AND TRANSFERS:

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.

Notes to Financial Statements As of June 30, 2019 (Continued)

NOTE 10—RISK MANAGEMENT:

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town 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—OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Health Insurance - Pay-As-You-Go:

Plan Description

In addition to the pension benefits described in Note 7, the Town administers a single-employer defined benefit healthcare plan. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the Town's pension plans. The plan does not issue a publicly available financial report.

Benefits Provided

Participants who are eligible to retire from VRS pension plan are allowed access to the plan until they reach age 65. Retirees pay the blended (employees and retirees) published rate, however as they are older than the typical employee (and thus more expensive) there is a cost to this right to purchase insurance at the blended rate. VRS retirement eligibility is age 50 with 10 years of service or age 55 with 5 years of service for employees hired prior to July 1, 2010 who were vested in the plan prior to July 1, 2013. VRS retirement eligibility is the earlier of age 60 with 5 years of service or 90 combined age and service points for other employees.

Plan Membership

At June 1, 2018 (the valuation date) the following employees were covered by the benefit terms:

Total active employees with coverage	44
Total	44

Contributions

The Town does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the Town. The amount paid by the Town for OPEB as the benefits came due during the year ended June 30, 2019 was \$0.

Notes to Financial Statements As of June 30, 2019 (Continued)

NOTE 11-OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

<u>Health Insurance - Pay-As-You-Go: (Continued)</u>

Total OPEB Liability

The Town's total OPEB liability was measured as of June 30, 2019. The total OPEB liability was determined by an actuarial valuation as of June 1, 2018.

Actuarial Assumptions

The total OPEB liability in the June 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation 2.30% per year as of June 30, 2019

Salary Increases The salary increase rate starts at 5.35% salary increase for one

year of service and gradually declines to 3.50% salary increase for

twenty or more years of service.

Discount Rate 3.13% per year as of June 30, 2019

Mortality rates for were based on the RP-2014 Total Dataset with generational mortality improvements using scale MP-2015.

The date of the most recent actuarial experience study on which significant assumptions were based is September 7, 2018.

Discount Rate

The discount rate used to determine the liabilities under GASB 75 is based on an index rate for 20-year tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. This rate was 3.13% as of June 30, 2019.

Changes in Total OPEB Liability

	 Total OPEB Liability
Balances at June 30, 2018	\$ 137,631
Changes for the year:	
Service cost	10,627
Interest	4,982
Changes in assumptions	7,047
Net changes	\$ 22,656
Balances at June 30, 2019	\$ 160,287

Notes to Financial Statements As of June 30, 2019 (Continued)

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following amounts present the total OPEB liability of the Town, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.13%) or one percentage point higher (4.13%) than the current discount rate:

		Rate			
1% Decrease (2.13%)		Current Discount Rate (3.13%)		1% Increase (4.13%)	
\$	175,051	\$ 160,287	\$	146,188	

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Town, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

			Rates			
1% Decrease (2.90%)			Current Trend Rate (3.90%)		1% Increase (4.90%)	
_	(======	-	11410 (0.7070)		(111010)	
\$	137,054	\$	160,287	\$	188,037	

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2019, the Town recognized OPEB expense in the amount of \$15,144. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	_	Deferred Outflows of Resouces	Deferred Inflows of Resources
Changes in assumptions	\$	6,166	\$ 8,074
Total	\$	6,166	\$ 8,074

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense in future reporting periods as follows:

Year Ended June 30	
2020	\$ (465)
2021	(465)
2022	(465)
2023	(465)
2024	(465)
Thereafter	417

Additional disclosures on changes in net OPEB liability and related ratios can be found in the required supplementary information following the notes to the financial statements.

Notes to Financial Statements As of June 30, 2019 (Continued)

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Group Life Insurance (GLI) Program

Plan Description

The Group Life Insurance (GLI) Program was established pursuant to §51.1-500 et seq. of the <u>Code of Virginia</u>, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI Program upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

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

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

Eligible Employees

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

Benefit Amounts

The GLI Program is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of creditable service, the minimum benefit payable was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to \$8,279 effective July 1, 2018.

Notes to Financial Statements As of June 30, 2019 (Continued)

NOTE 11-OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Group Life Insurance (GLI) Program: (Continued)

Contributions

The contribution requirements for the GLI Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Program from the entity were \$11,928 and \$12,090 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

At June 30, 2019, the entity reported a liability of \$186,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the participating employer's proportion was 0.01223% as compared to 0.01195% at June 30, 2017.

For the year ended June 30, 2019, the participating employer recognized GLI OPEB expense of \$1,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

Notes to Financial Statements As of June 30, 2019 (Continued)

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Group Life Insurance (GLI) Program: (Continued)

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

At June 30, 2019, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	_	Deferred Outflows of Resources	 Deferred Inflows of Resources
Differences between expected and actual experience	\$	9,000	\$ 3,000
Net difference between projected and actual earnings on GLI OPEB program investments		-	6,000
Change in assumptions		-	8,000
Changes in proportion		3,000	4,000
Employer contributions subsequent to the measurement date	_	11,928	
Total	\$_	23,928	\$ 21,000

\$11,928 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30	
2020	\$ (3,000)
2021	(3,000)
2022	(3,000)
2023	(2,000)
2024	1,000
Thereafter	1,000

Notes to Financial Statements As of June 30, 2019 (Continued)

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Group Life Insurance (GLI) Program: (Continued)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Inflation	2.5%
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Salary increases, including inflation:

General state employees 3.5%-5.35%
Teachers 3.5%-5.95%
SPORS employees 3.5%-4.75%
VaLORS employees 3.5%-4.75%
JRS employees 4.5%
Locality - General employees 3.5%-5.35%
Locality - Hazardous Duty employees 3.5%-4.75%

Investment rate of return 7.0%, net of investment expenses,

including inflation*

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

Mortality Rates - General State Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Notes to Financial Statements As of June 30, 2019 (Continued)

NOTE 11-OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Group Life Insurance (GLI) Program: (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - General State Employees (Continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Mortality Rates - Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Notes to Financial Statements As of June 30, 2019 (Continued)

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Group Life Insurance (GLI) Program: (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Teachers (Continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Mortality Rates - SPORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Notes to Financial Statements As of June 30, 2019 (Continued)

NOTE 11-OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Group Life Insurance (GLI) Program: (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - SPORS Employees: (Continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Mortality Rates - VaLORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Notes to Financial Statements As of June 30, 2019 (Continued)

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Group Life Insurance (GLI) Program: (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - VaLORS Employees: (Continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Mortality Rates - JRS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Notes to Financial Statements As of June 30, 2019 (Continued)

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Group Life Insurance (GLI) Program: (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - JRS Employees: (Continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Mortality Rates - Largest Ten Locality Employers - General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Notes to Financial Statements As of June 30, 2019 (Continued)

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Group Life Insurance (GLI) Program: (Continued)

Actuarial Assumptions: (Continued)

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Notes to Financial Statements As of June 30, 2019 (Continued)

NOTE 11-OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Group Life Insurance (GLI) Program: (Continued)

Actuarial Assumptions: (Continued)

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Notes to Financial Statements As of June 30, 2019 (Continued)

NOTE 11-OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Group Life Insurance (GLI) Program: (Continued)

Actuarial Assumptions: (Continued)

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Notes to Financial Statements As of June 30, 2019 (Continued)

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Group Life Insurance (GLI) Program: (Continued)

Actuarial Assumptions: (Continued)

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2018, NOL amounts for the GLI Program is as follows (amounts expressed in thousands):

		Group Life Insurance OPEB
	_	Program
Total GLI OPEB Liability	\$	3,113,508
Plan Fiduciary Net Position	_	1,594,773
Employers' Net GLI OPEB Liability (Asset)	\$	1,518,735
Plan Fiduciary Net Position as a Percentage	_	
of the Total GLI OPEB Liability		51.22%

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

Notes to Financial Statements As of June 30, 2019 (Continued)

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Group Life Insurance (GLI) Program: (Continued)

Long-Term Expected Rate of Return

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

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

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

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2018, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

Notes to Financial Statements As of June 30, 2019 (Continued)

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Group Life Insurance (GLI) Program: (Continued)

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

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

		Rate					
		1% Decrease		rease Current Discount		1% Increase	
		(6.00%)		(7.00%)		(8.00%)	
Town's proportionate share of the	_						
Group Life Insurance Program							
Net OPEB Liability	\$	243,000	\$	186,000	\$	140,000	

GLI Program Fiduciary Net Position

Detailed information about the GLI Program's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Line of Duty Act (LODA) Program:

Plan Description

The Virginia Retirement System (VRS) Line of Duty Act Program (LODA) was established pursuant to §9.1-400 et seq. of the <u>Code of Virginia</u>, as amended, and which provides the authority under which benefit terms are established or may be amended. The LODA Program provides death and health insurance benefits to eligible state and local government employees, including volunteers, who die or become disabled as a result of the performance of their duties as a public safety officer. In addition, health insurance benefits are provided to eligible survivors and family members. As required by statute, the Virginia Retirement System (the System) is responsible for managing the assets of the program. Participating employers made contributions to the program beginning in FY 2012. The employer contributions are determined by the System's actuary using anticipated program costs and the number of covered individuals associated with all participating employers.

The specific information for the LODA Program OPEB, including eligibility, coverage and benefits is described below:

Notes to Financial Statements As of June 30, 2019 (Continued)

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Line of Duty Act (LODA) Program: (Continued)

Eligible Employees

All paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS) are automatically covered by the LODA Program.

Benefit Amounts

The LODA program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows: \$100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after; \$25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date; or an additional \$20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001.

The LODA program also provides health insurance benefits. Prior to July 1, 2017, these benefits were managed through the various employer plans and maintained the benefits that existed prior to the employee's death or disability. These premiums were reimbursed to the employer by the LODA program. Beginning July 1, 2017, the health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health Benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors and family members. Individuals receiving the health insurance benefits must continue to meet eligibility requirements as defined by the LODA.

Contributions

The contribution requirements for the Line of Duty Act Program are governed by §9.1-400.1 of the <u>Code of Virginia</u>, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the Line of Duty Act Program for the year ended June 30, 2019 was \$705.77 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the Line of Duty Act Program from the entity were \$11,645 and \$9,078 for the years ended June 30, 2019 and June 30, 2018.

Notes to Financial Statements As of June 30, 2019 (Continued)

NOTE 11-OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Line of Duty Act (LODA) Program: (Continued)

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

At June 30, 2019, the entity reported a liability of \$267,000 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2018 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of that date. The entity's proportion of the Net LODA OPEB Liability was based on the entity's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2018 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2018, the entity's proportion was 0.08524% as compared to 0.08417% at June 30, 2017.

For the year ended June 30, 2019, the entity recognized LODA OPEB expense of \$26,000. Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2019, the entity reported deferred outflows of resources and deferred inflows of resources related to the LODA OPEB from the following sources:

	_	Deferred Outflows of Resources	 Deferred Inflows of Resources
Differences between expected and actual experience	\$	38,000	\$ -
Change in assumptions		-	31,000
Change in proportion		12,000	-
Employer contributions subsequent to the measurement date	-	11,645	 <u>-</u>
Total	\$_	61,645	\$ 31,000

Notes to Financial Statements As of June 30, 2019 (Continued)

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Line of Duty Act (LODA) Program: (Continued)

LODA OPEB Liabilities, LODA OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the LODA OPEB: (Continued)

\$11,645 reported as deferred outflows of resources related to the LODA OPEB resulting from the entity's contributions subsequent to the measurement date will be recognized as a reduction of the Net LODA OPEB Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

Year Ended June 30	
2020	\$ 3,000
2021	3,000
2022	3,000
2023	3,000
2024	3,000
Thereafter	4.000

Actuarial Assumptions

The total LODA OPEB liability was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Inflation	2.5%
Salary increases, including inflation:	
General state employees	3.50%-5.35%
SPORS employees	3.50%-4.75%
VaLORS employees	3.50%-4.75%
Locality employees	3.50%-4.75%
Medical cost trend rates assumption:	
Under age 65	7.75%-5.00%
Ages 65 and older	5.75%-5.00%
Year of ultimate trend rate	Fiscal year ended 2024
Investment rate of return	3.56%, net of OPEB plan investment expenses, including inflation*

^{*}Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 3.89%. However, since the difference was minimal, a more conservative 3.89% investment return assumption has been used. Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.89% was used since it approximates the risk-free rate of return.

Notes to Financial Statements As of June 30, 2019 (Continued)

NOTE 11-OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Line of Duty Act (LODA) Program: (Continued)

Actuarial Assumptions: (Continued)

Mortality rates - General State Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Notes to Financial Statements As of June 30, 2019 (Continued)

NOTE 11-OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Line of Duty Act (LODA) Program: (Continued)

Actuarial Assumptions: (Continued)

Mortality rates - SPORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Notes to Financial Statements As of June 30, 2019 (Continued)

NOTE 11-OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Line of Duty Act (LODA) Program: (Continued)

Actuarial Assumptions: (Continued)

Mortality rates - VaLORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Notes to Financial Statements As of June 30, 2019 (Continued)

NOTE 11-OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Line of Duty Act (LODA) Program: (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Largest Ten Locality Employers with Public Safety Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Mortality Rates - Non-Largest Ten Locality Employers with Public Safety Employees

Pre-Retirement:

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

Post-Retirement:

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

Notes to Financial Statements As of June 30, 2019 (Continued)

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Line of Duty Act (LODA) Program: (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Non-Largest Ten Locality Employers with Public Safety Employees: (Continued)

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Net LODA OPEB Liability

The net OPEB liability (NOL) for the Line of Duty Act Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2018, NOL amounts for the Line of Duty Act Program is as follows (amounts expressed in thousands):

	_L	ODA Program
Total LODA OPEB Liability	\$	315,395
Plan Fiduciary Net Position		1,889
Employers' Net OPEB Liability	\$	313,506
Plan Fiduciary Net Position as a Percentage		
of the Total LODA OPEB Liability		0.60%

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

Notes to Financial Statements As of June 30, 2019 (Continued)

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

<u>Line of Duty Act (LODA) Program: (Continued)</u>

Long-Term Expected Rate of Return

The long-term expected rate of return on LODA OPEB Program's investments was set at 3.89% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments 7.00% assumption. Instead, the assumed annual rate of return of 3.89% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2018.

Discount Rate

The discount rate used to measure the total LODA OPEB liability was 3.89%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2018, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

Sensitivity of the Covered Employer's Proportionate Share of the Net LODA OPEB Liability to Changes in the Discount Rate

The following presents the covered employer's proportionate share of the net LODA OPEB liability using the discount rate of 3.89%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.89%) or one percentage point higher (4.89%) than the current rate:

		1% Decrease	Current	1% Increase
		(2.89%)	(3.89%)	(4.89%)
Town's proportionate share of		_		
the LODA net OPEB liability	\$	306,000 \$	267,000 \$	235,000

Notes to Financial Statements As of June 30, 2019 (Continued)

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Line of Duty Act (LODA) Program: (Continued)

Sensitivity of the Covered Employer's Proportionate Share of the Net LODA OPEB Liability to Changes in the Health Care Trend Rate

Because the Line of Duty Act Program contains a provision for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the covered employer's proportionate share of the net LODA OPEB liability using the health care trend rate of 7.75% decreasing to 5.00%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a health care trend rate that is one percentage point lower (6.75% decreasing to 4.00%) or one percentage point higher (8.75% decreasing to 6.00%) than the current rate:

		Health Care Trend Rates						
		1% Decrease (6.75% decreasing to 4.00%)		Current		1% Increase		
				(7.75% decreasing to 5.00%)		(8.75% decreasing to 6.00%)		
Town's proportionate share of	•		_					
the LODA net OPEB liability	\$	227,000	\$	267,000	\$	316,000		

LODA OPEB Fiduciary Net Position

Detailed information about the Line of Duty Act Program Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Summary of Net OPEB Liabilities, Deferred Outflows and Inflows of Resources, and Expenses:

	Net OPEB	Deferred	Deferred	OPEB
	Liability	Outflows	Inflows	Expense
\$	186,000 \$	23,928 \$	21,000 \$	1,000
	267,000	61,645	31,000	26,000
_	160,287	6,166	8,074	15,144
\$ _	613,287 \$	91,739 \$	60,074 \$	42,144
	-	\$ 186,000 \$ 267,000 160,287	Liability Outflows \$ 186,000 \$ 23,928 \$ 267,000 61,645 160,287 6,166	Liability Outflows Inflows \$ 186,000 \$ 23,928 \$ 21,000 \$ 267,000 61,645 31,000 160,287 6,166 8,074

Notes to Financial Statements As of June 30, 2019 (Continued)

NOTE 12-ADOPTION OF ACCOUNTING PRINCIPLES

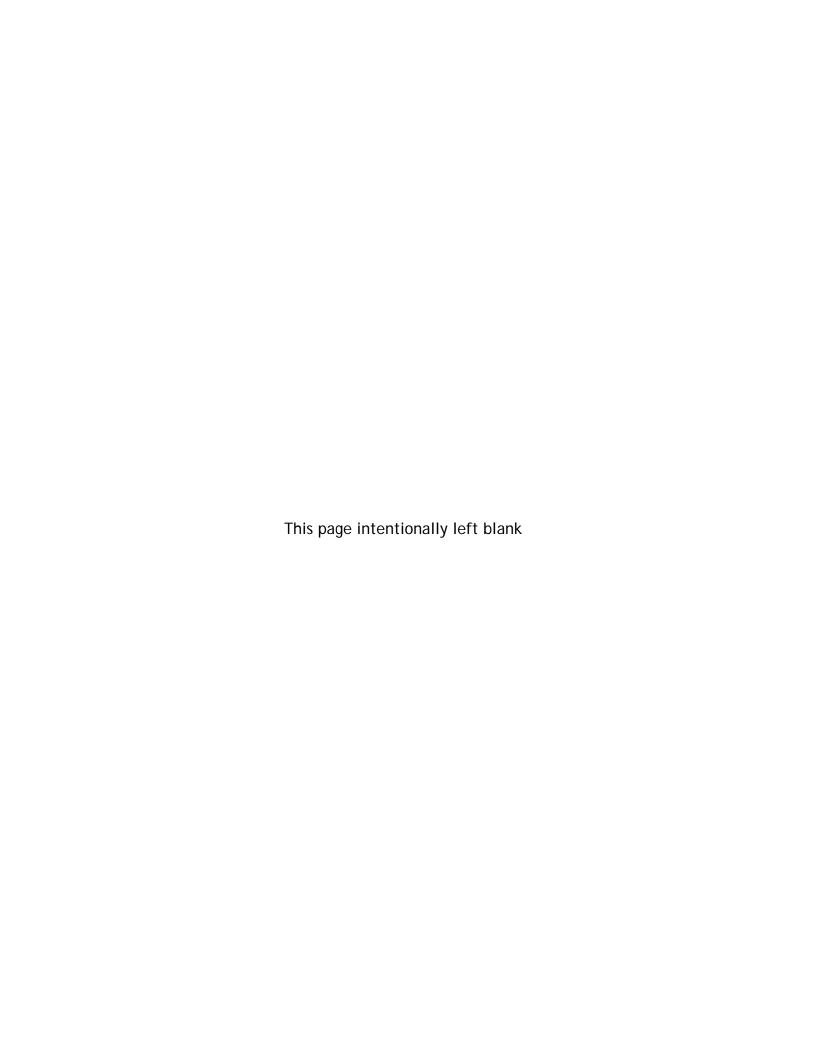
The Town implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements during the fiscal year ended June 30, 2019. This Statement clarifies which liabilities governments should include when disclosing information related to debt. It also requires that additional essential information related to debt be disclosed in notes to financial statements. No restatement was required as a result of this implementation.

The Town early implemented provisions of Governmental Accounting Standards Board Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period during the fiscal year ended June 30, 2019. This Statement simplifies accounting for interest cost incurred before the end of a construction period. Interest cost incurred during construction is expensed and no longer capitalized as part of project costs. No restatement was required as a result of this implementation.

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, 2019

				Gene	ral l	Fund		
		Original Budget	_	Final Budget	. <u>-</u>	Actual	_	Variance Favorable (Unfavorable)
REVENUES		044 000		044 000		000 040		74.040
General property taxes	\$	811,000	\$	811,000	\$	882,249	\$	71,249
Other local taxes/revenues		2,110,100		2,110,100		2,273,803		163,703
Permits, fees, and regulatory licenses		3,100		3,100		1,263		(1,837)
Fines and forfeitures		80,000		80,000		92,549		12,549
Revenues from use of money and property		15,140		15,140		25,047		9,907
Charges for services		153,408		153,408		192,994		39,586
Miscellaneous		(103,958)		261,202		16,685		(244,517)
Recovered costs		16,000		16,000		61,055		45,055
Revenue from internal sources		332,820		332,820		332,820		-
Intergovernmental revenues:								
Commonwealth		1,548,474		2,169,457		1,521,985		(647,472)
Federal		2,000	_	2,000	_	105,692	_	103,692
Total revenues	\$	4,968,084	\$_	5,954,227	\$	5,506,142	\$_	(448,085)
EXPENDITURES								
Current:								
General government administration	\$	737,900	\$	740,700	\$	726,049	\$	14,651
Public safety		1,540,019		1,540,019		1,537,340		2,679
Public works		1,689,186		1,696,186		1,611,253		84,933
Parks, recreation, and cultural		30,000		30,000		24,151		5,849
Community development		123,649		123,649		133,296		(9,647)
Nondepartmental		220,489		202,221		216,580		(14,359)
Capital projects		468,560		1,444,903		670,839		774,064
Debt service:								
Principal		138,650		156,762		156,762		-
Interest and finance charges		19,631	-	19,787	_	19,631	_	156
Total expenditures	\$	4,968,084	\$_	5,954,227	\$_	5,095,901	\$_	858,326
Excess (deficiency) of revenues over								
(under) expenditures	\$	-	\$_	-	. \$_	410,241	\$_	410,241
OTHER FINANCING SOURCES (USES)								
Net operating transfers	\$_	-	\$	-	\$	(106,645)	\$_	(106,645)
Total other financing sources (uses)	\$ <u></u>	-	\$	-	\$	(106,645)	\$_	(106,645)
Net change in fund balances	\$	-	\$	-	\$	303,596	\$	303,596
Fund Balance at Beginning of Year	_	-		-		3,538,291	_	3,538,291
Fund Balance at End of Year	\$	-	\$	-	\$	3,841,887	\$_	3,841,887

TOWN OF ORANGE, VIRGINIA Exhibit 11

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios For the Measurement Dates of June 30, 2014 through June 30, 2018

		2018	2017	2016	2015	2014
Total pension liability						
Service cost	\$	281,679 \$	281,532 \$	323,066 \$	319,585 \$	224,518
Interest		599,024	562,059	524,852	458,693	431,065
Changes in benefit terms		-	-	-	416,043	-
Differences between expected and actual experience		38,568	187,833	46,647	91,586	-
Changes in assumptions		-	(149,862)	-	-	-
Benefit payments, including refunds of employee contributions		(376,607)	(330,387)	(395,687)	(285,864)	(235,941)
Net change in total pension liability	\$	542,664 \$	551,175 \$	498,878 \$	1,000,043 \$	419,642
Total pension liability - beginning	_	8,745,784	8,194,609	7,695,731	6,695,688	6,276,046
Total pension liability - ending (a)	\$	9,288,448 \$	8,745,784 \$	8,194,609 \$	7,695,731 \$	6,695,688
Plan fiduciary net position						
Contributions - employer	\$	301,386 \$	284,672 \$	256,860 \$	275,028 \$	209,608
Contributions - employee		113,708	109,433	110,576	118,347	125,102
Net investment income		516,602	756,868	105,976	265,333	771,541
Benefit payments, including refunds of employee contributions		(376,607)	(330,387)	(395,687)	(285,864)	(235,941)
Administrative expense		(4,336)	(4,217)	(3,714)	(3,462)	(4,035)
Other		(466)	(680)	(45)	(56)	41
Net change in plan fiduciary net position	\$	550,287 \$	815,689 \$	73,966 \$	369,326 \$	866,316
Plan fiduciary net position - beginning		6,960,032	6,144,343	6,070,377	5,701,051	4,834,735
Plan fiduciary net position - ending (b)	\$_	7,510,319 \$	6,960,032 \$	6,144,343 \$	6,070,377 \$	5,701,051
Town's net pension liability - ending (a) - (b)	\$	1,778,129 \$	1,785,752 \$	2,050,266 \$	1,625,354 \$	994,637
Plan fiduciary net position as a percentage of the total						
pension liability		80.86%	79.58%	74.98%	78.88%	85.15%
Covered payroll	\$	2,314,522 \$	2,180,643 \$	2,205,029 \$	2,344,581 \$	2,330,120
Town's net pension liability as a percentage of covered payroll		76.82%	81.89%	92.98%	69.32%	42.69%

This schedule is intended to show information for 10 years. However, information prior to the 2014 valuation is not available. Additional years will be included as they become available.

Date	-	Contractually Required Contribution	 Contributions in Relation to Contractually Required Contribution	. <u>-</u>	Contribution Deficiency (Excess)	 Employer's Covered Payroll	Contributions as a % of Covered Payroll
2019	\$	310,630	\$ 310,630	\$	-	\$ 2,293,927	13.54%
2018		301,386	301,386		-	2,314,522	13.02%
2017		289,371	289,371		-	2,180,643	13.27%
2016		259,091	259,091		-	2,205,029	11.75%
2015		275,488	275,488		-	2,344,581	11.75%
2014		209,711	209,711		-	2,330,120	9.00%
2013		204,222	204,222		-	2,269,129	9.00%
2012		120,108	120,108		-	2,140,967	5.61%
2011		114,773	114,773		-	2,045,859	5.61%
2010		83,906	83,906		-	2,162,534	3.88%

Notes to Required Supplementary Information - Pension For the Year Ended June 30, 2019

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

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

Largest 10 - Non-Hazardous Duty:

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

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

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

Largest 10 - Hazardous Duty:

_
Updated to a more current mortality table - RP-2014
projected to 2020
Lowered rates at older ages
Adjusted rates to better fit experience
Increased rates
No change
Increased rate from 60% to 70%

All Others (Non 10 Largest) - Hazardous Duty:

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

Schedule of Changes in Total OPEB Liability - Health Insurance For the Years Ended June 30, 2018 through June 30, 2019

		2019	2018
Total OPEB liability	_		
Service cost	\$	10,627	\$ 8,877
Interest		4,982	5,366
Changes in assumptions		7,047	(10,766)
Net change in total OPEB liability	\$	22,656	\$ 3,477
Total OPEB liability - beginning		137,631	134,154
Total OPEB liability - ending	\$	160,287	\$ 137,631

This schedule is intended to show information for 10 years. Additional years will be included as they become available.

Notes to Required Supplementary Information - OPEB - Health Insurance For the Year Ended June 30, 2019

Valuation Date: June 1, 2018 Measurement Date: June 30, 2019

No assets are accumulated in a trust that meets the criteria in GASB 75 to pay related benefits.

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry Age Normal, Level Percentage of Play.
Discount Rate	3.13% as of June 30, 2019.
Inflation	2.30% per year as of June 30, 2019.
Healthcare Trend Rates	The healthcare trend rate assumptions vary by year and range between 3.90% and 6.20%.
Salary Increase Rates	
	The salary increase rate starts at 5.35% salary increase for one year of service and gradually declines to 3.50% salary increase for twenty or more years of service.
Mortality Rates	The mortality rates for were calculated using the RP-2014 Total Dataset with generational mortality improvements using scale MP-2015.

Schedule of Town's Share of Net OPEB Liability - Group Life Insurance For the Measurement Dates of June 30, 2017 through June 30, 2018

Employer's Sh Proportion of the Ne		Employer's Proportionate Share of the Net GLI OPEB	Proportionate Share of the Employer's Net GLI OPEB Covered		Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage	Plan Fiduciary Net Position as a
Date	Net GLI OPEB Liability	Liability (a)		Payroll (b)	of Covered Payroll (a)/(b)	Percentage of Total GLI OPEB Liability
2018	0.01223% \$	186,000	\$	2,314,522	8.04%	51.22%
2017	0.01195%	180,000		2,180,643	8.25%	48.86%

This schedule is intended to show information for 10 years. However, information prior to the 2017 valuation is not available. Additional years will be included as they become available.

Date	_	Contractually Required Contribution	 Actual Contribution	. <u>-</u>	Contribution Deficiency (Excess)	 Employer's Covered Payroll	Contributions as a % of Covered Payroll
2019	\$	11,928	\$ 11,928	\$	-	\$ 2,293,927	0.52%
2018		12,090	12,090		-	2,324,991	0.52%
2017		11,456	11,456		-	2,203,103	0.52%
2016		10,584	10,584		-	2,205,029	0.48%
2015		11,254	11,254		-	2,344,581	0.48%
2014		11,185	11,185		-	2,330,120	0.48%
2013		10,892	10,892		-	2,269,129	0.48%
2012		5,995	5,995		-	2,140,967	0.28%
2011		5,728	5,728		-	2,045,859	0.28%
2010		4,365	4,365		-	2,162,534	0.20%

Notes to Required Supplementary Information - Group Life Insurance For the Year Ended June 30, 2019

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

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

General State Employees

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

Teachers

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

SPORS Employees

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

VaLORS Employees

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

Notes to Required Supplementary Information - Group Life Insurance For the Year Ended June 30, 2019 (Continued)

JRS Employees

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

Largest Ten Locality Employers - General Employees

	1 3
Mortality Rates (pre-retirement, post-	Updated to a more current mortality table - RP-2014 projected to
retirement healthy, and disabled)	2020
Retirement Rates	Lowered retirement rates at older ages and extended final
	retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and
	service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Non-Largest Ten Locality Employers - General Employees

3 3 1 3	1 3
Mortality Rates (pre-retirement, post-	Updated to a more current mortality table - RP-2014 projected to
retirement healthy, and disabled)	2020
Retirement Rates	Lowered retirement rates at older ages and extended final
	retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and
	service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Largest Ten Locality Employers - Hazardous Duty Employees

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

Non-Largest Ten Locality Employers - Hazardous Duty Employees

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

Schedule of Town's Share of Net OPEB Liability - LODA
For the Measurement Dates of June 30, 2017 through June 30, 2018

	Town's Proportion of the Net LODA OPEB	Town's Proportionate Share of the Net LODA OPEB	Plan Fiduciary Net Position as a Percentage of Total	
Date	Liability	Liability	LODA OPEB Liability	
2018 2017	0.08524% \$ 0.08417%	267,000 221,000	0.60% 1.30%	

The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of the employees in the OPEB plan. However, when volunteers and part-time employees make up a significant percentage of the employer's members in the plan, the employer may determine that covered-employee payroll is misleading and, therefore, not applicable for disclosure.

This schedule is intended to show information for 10 years. However, information prior to the 2017 valuation is not available. Additional years will be included as they become available.

Schedule of Employer Contributions - LODA For the Years Ended June 30, 2018 through June 30, 2019

		Contributions in Relation to					
Date		Contractually Required Contribution		Contractually Required Contribution		Contribution Deficiency (Excess)	
2019	\$	11,645	\$	11,645	\$	-	
2018		9,078		9,078		_	

The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of employees in the OPEB plan. However, when volunteers and part-time employees make up a significant percentage of the employer's members in the plan, the employer may determine that covered-employee payroll is misleading and, therefore, not applicable for disclosure.

This schedule is intended to show information for 10 years. However, information prior to the 2017 valuation is not available. Additional years will be included as they become available.

Notes to Required Supplementary Information - LODA For the Year Ended June 30, 2019

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

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

General State Employees

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

SPORS Employees

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

VaLORS Employees

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

Employees in the Largest Ten Locality Employers with Public Safety Employees

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

Employees in the Non-Largest Ten Locality Employers with Public Safety Employees

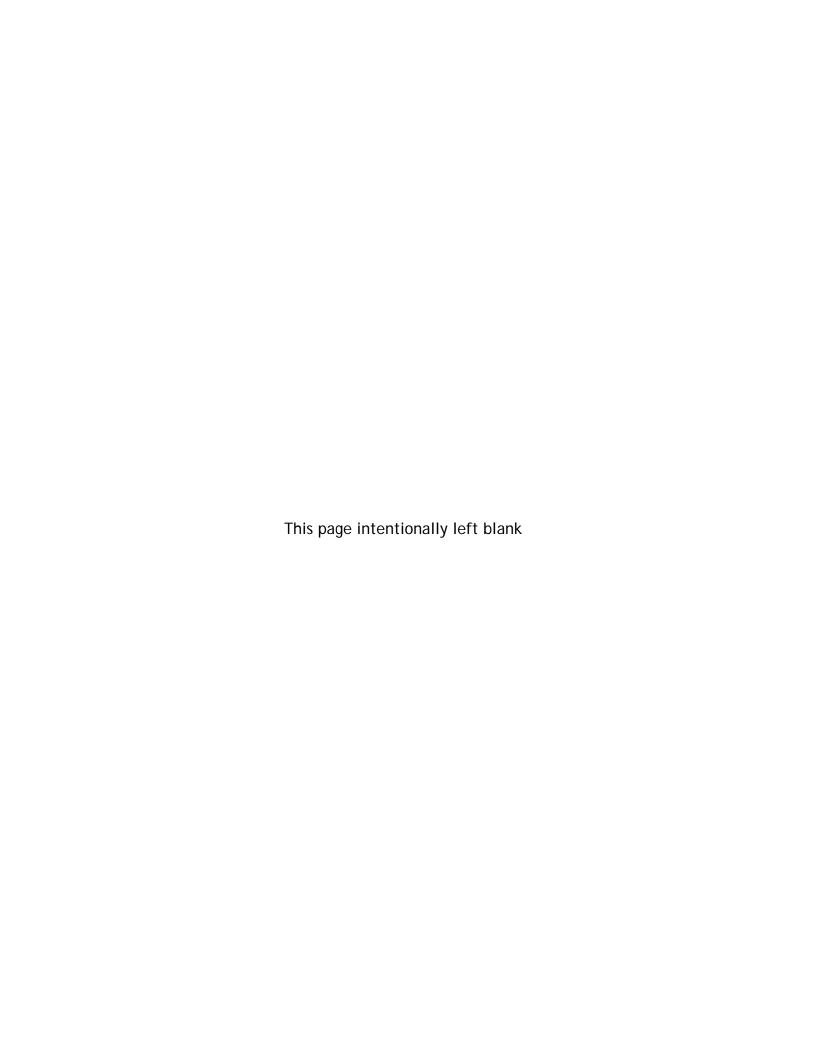
Updated to a more current mortality table - RP-2014 projected
to 2020
Increased age 50 rates and lowered rates at older ages
Adjusted termination rates to better fit experience at each age and service year
Adjusted rates to better match experience
No change
Decreased rate from 60% to 45%



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 - Budget and Actual Governmental Funds For the Year Ended June 30, 2019

Fund, Major and Minor Revenue Source		Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:					
Revenue from local sources:					
General property taxes:					
Real property taxes	\$	632,000 \$	632,000 \$	631,470 \$	(530)
Personal property taxes		157,000	157,000	217,128	60,128
Public service corporation taxes		22,000	22,000	33,651	11,651
Total general property taxes	\$_	811,000 \$	811,000 \$	882,249 \$	71,249
Other local taxes/revenues					
Local sales and use taxes	\$	215,000 \$	215,000 \$	231,072 \$	16,072
Consumers' utility taxes		231,400	231,400	240,652	9,252
Electric consumption taxes		16,200	16,200	17,286	1,086
Motor vehicle licenses		85,000	85,000	89,060	4,060
Bank franchise taxes		175,000	175,000	178,975	3,975
Restaurant food taxes		1,150,000	1,150,000	1,289,772	139,772
Business licenses		7,500	7,500	206	(7,294)
Transient/occupancy taxes		140,000	140,000	149,260	9,260
Cigarette taxes	_	90,000	90,000	77,520	(12,480)
Total other local taxes/revenues	\$	2,110,100 \$	2,110,100 \$	2,273,803 \$	163,703
Permits, fees, and regulatory licenses:					
Planning and development fees	\$	3,000 \$	3,000 \$	1,138 \$	(1,862)
Construction permits/fees	· 	100	100	125	25
Total permits, fees, and regulatory licenses	\$_	3,100 \$	3,100 \$	1,263	(1,837)
Fines and forfeitures:					
Court fines and forfeitures	\$_	80,000 \$	80,000 \$	92,549	12,549
Revenue from use of money and property:					
Revenue from use of money	\$	10,400	10,400 \$	18,177 \$	7,777
Revenue from use of property	_	4,740	4,740	6,870	2,130
Total revenue from use of money and		<u> </u>			
property	\$	15,140 \$	15,140 \$	25,047 \$	9,907
Charges for services:					
Refuse collection	\$	135,000 \$	135,000 \$	153,366 \$	
Transit fees	_	18,408	18,408	39,628	21,220
Total charges for services	\$	153,408 \$	153,408 \$	192,994 \$	39,586

Schedule of Revenues - Budget and Actual Governmental Funds For the Year Ended June 30, 2019 (Continued)

Fund, Major and Minor Revenue Source		Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued) Revenue from Local Sources: (Continued) Miscellaneous:					
Reserve funds Administrative fees Proceeds from the sale of surplus property Proceeds from the sale of recycled material	\$	(121,508) \$ 7,000 - -	243,652 \$ 7,000 - -	- \$ 2,472 5,737 1,749	(243,652) (4,528) 5,737 1,749
Revenue refunds Miscellaneous	_	10,000 550	10,000 550	6,037 690	(3,963)
Total miscellaneous	\$	(103,958) \$	261,202 \$	16,685	(244,517)
Recovered costs: Expenditure refunds	\$_	16,000_\$	16,000 \$	61,055_\$	S45,055_
Revenue from internal sources: Internal charges	\$	332,820 \$	332,820 \$	332,820	S
Total revenue from local sources	\$	3,417,610 \$	3,782,770 \$	3,878,465	95,695
Intergovernmental: Revenue from the Commonwealth: Noncategorical aid:					
Rolling stock tax Motor vehicle carriers' tax Communications tax	\$	7,000 \$ 36,000 170,000	7,000 \$ 36,000 170,000	6,775 \$ 43,743 149,857	(225) 7,743 (20,143)
Personal property tax relief funds	_	89,615	89,615	89,615	
Total noncategorical aid	\$_	302,615 \$	302,615 \$	289,990	(12,625)
Categorical aid: State Highway Funds VDOT Revenue Sharing ISTEA Railroad Avenue Aid to localities with police departments	\$	943,411 \$ 178,280 - 106,348	943,411 \$ 178,280 620,983 106,348	971,997 \$ 130,489 - 110,284	(47,791) (620,983) 3,936
Fire Program Grants Litter Control Grant		15,320 2,500	15,320 2,500	16,341 2,884	1,021 384
Total categorical aid	\$_	1,245,859 \$	1,866,842 \$	1,231,995	
Total revenue from the commonwealth	\$	1,548,474 \$	2,169,457 \$	1,521,985	6 (647,472)
Revenue from the Federal Government: Categorical aid: Communities Facilities Loans and Grants Highway construction USDA Rural Development	\$	2,000 \$	2,000 \$	- \$ 11,950 93,742	5 (2,000) 11,950 93,742
Total categorical aid	\$	2,000 \$	2,000 \$	105,692	103,692
Total revenue from the federal government	\$	2,000 \$	2,000 \$	105,692	103,692
Total General Fund	\$_	4,968,084 \$	5,954,227 \$	5,506,142	(448,085)

Schedule of Revenues - Budget and Actual Governmental Funds For the Year Ended June 30, 2019 (Continued)

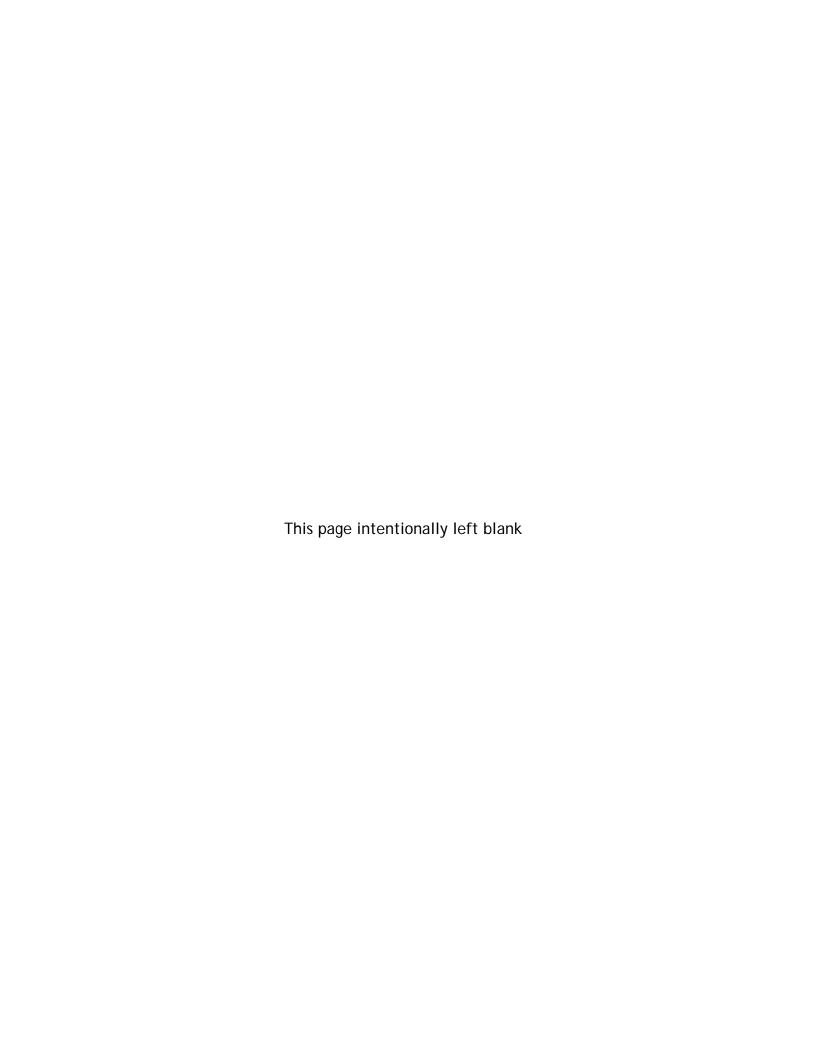
Fund, Major and Minor Revenue Source		Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Special Revenue Fund:					
Taylor Park Fund:					
Revenue from local sources:					
Revenue from use of money and property: Revenue from use of money	\$	- \$	- \$	729 \$	729
·	· -		·		
Total revenue from local sources	\$ <u></u>		<u> </u>	729_\$	729
Total Taylor Park Fund	\$	- \$	\$	729 \$	729
Capital Projects Fund:					
Revenue from local sources:					
Miscellaneous:					
Other miscellaneous	\$ <u></u>	- \$	\$	59,711 \$	59,711
Total revenue from local sources	\$_	\$_	\$	59,711 \$	59,711
Intergovernmental:					
Revenue from the Commonwealth:					
Categorical aid:					
Virginia Arts Commission	\$	- \$	- \$	4,500 \$	
Asset forfeiture	_			6,120	6,120
Total categorical aid	\$ _	\$	<u> </u>	10,620 \$	10,620
Total revenue from the commonwealth	\$_	\$_	\$	10,620 \$	10,620
Total Capital Projects Fund	\$	<u> </u>	<u>-</u> \$	70,331 \$	70,331
Total Primary Government	\$	4,968,084 \$	5,954,227 \$	5,577,202 \$	(377,025)

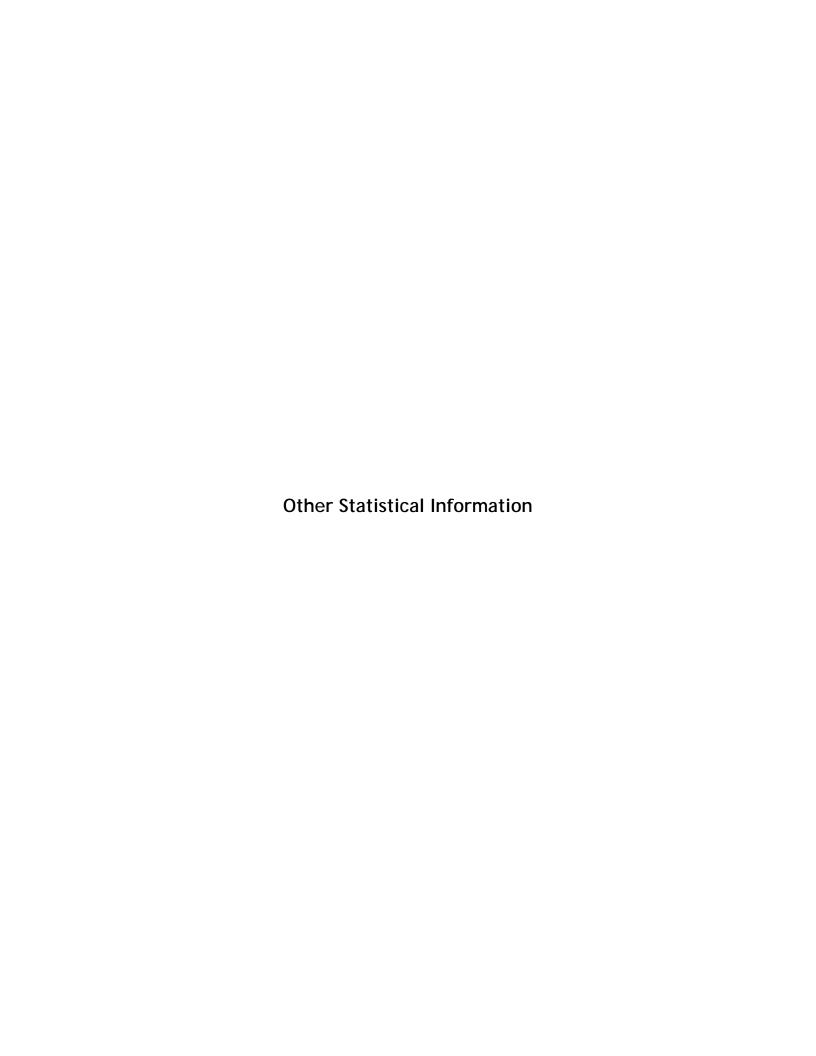
Schedule of Expenditures - Budget and Actual Governmental Funds For the Year Ended June 30, 2019

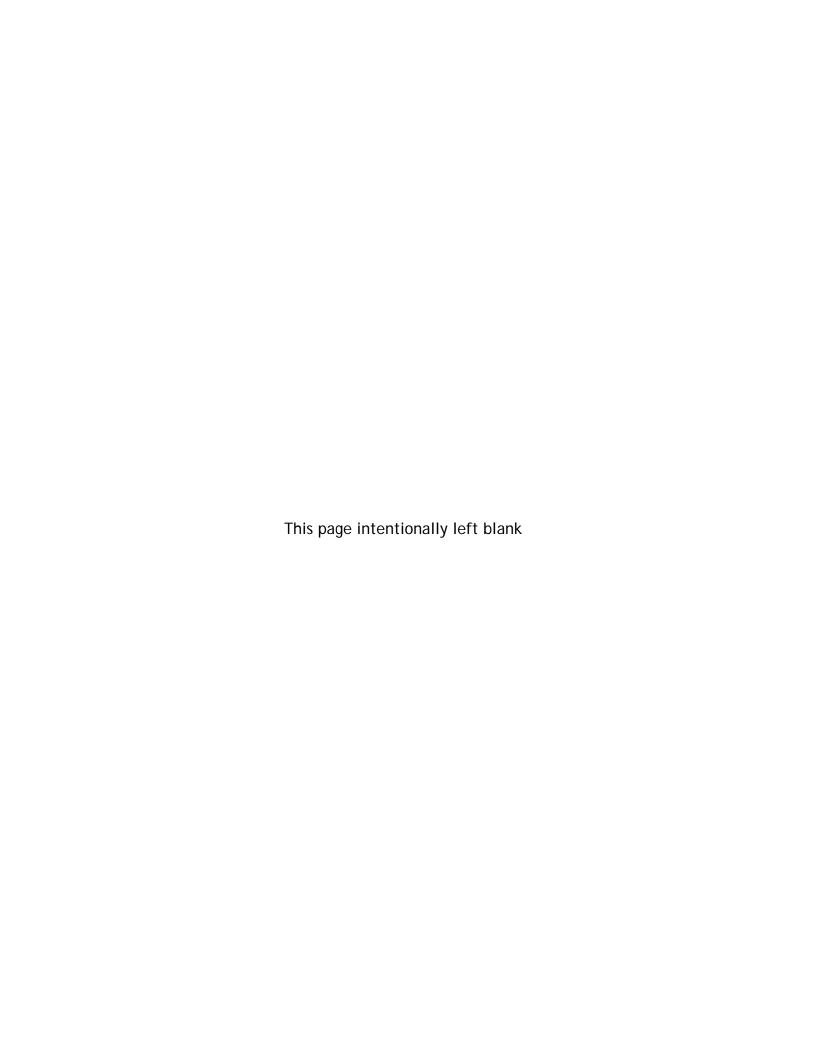
Fund, Function, Activity, and Elements		Original Budget		Final Budget		Actual		Variance with Final Budget - Positive (Negative)
General Fund:								
General government administration:								
Legislative:		45.007		45.007		44.554		1 000
Town Council	\$ <u></u>	45,836	-\$_	45,836	\$_	44,554	\$_	1,282
General and financial administration:								
Town manager	\$	300,668	\$	303,468	\$	290,333	\$	13,135
Professional services	Ψ	37,850	Ψ	37,850	Ψ	38,687	Ψ	(837)
Treasurer/finance		353,546		353,546		352,475		1,071
Total general and financial administration	\$	692,064	\$	694,864	\$	681,495	\$	13,369
· ·					_		_	_
Total general government administration	\$	737,900	\$	740,700	\$_	726,049	\$_	14,651
Public safety:								
Law enforcement and traffic control:								
Police department	\$	1,484,699	\$	1,484,699	\$	1,480,999	\$	3,700
Etas and account and a								
Fire and rescue services:	•	FF 220	Φ.	FF 220	Φ.	F/ 044	Φ.	(4.004)
Volunteer fire departments	\$ <u></u>	55,320	_\$_	55,320	.	56,341	- \$_	(1,021)
Total fire and rescue services	\$	55,320	\$	55,320	\$_	56,341	\$_	(1,021)
Total public safety	\$	1,540,019	\$	1,540,019	\$_	1,537,340	\$	2,679
Public works:								
Streets and general maintenance	\$	1,324,304	\$	1,324,304	\$	1,255,946	\$	68,358
Refuse collection and disposal	,	199,862	•	199,862	•	174,981	Ť	24,881
Municipal building		46,119		46,119		55,328		(9,209)
Depot		16,000		23,000		22,097		903
тоот		102,901		102,901		102,901		-
Total public works	\$	1,689,186	\$	1,696,186	\$	1,611,253	\$	84,933
Parks, recreation, and cultural:								
Parks and recreation	\$	30,000	\$	30,000	\$	24,151	\$	5,849
. a.i.a and roomation	* _	20,000	- * —	20,000	. ~ _	21,101	_ ~ _	0,017
Total parks, recreation, and cultural	\$	30,000	\$	30,000	\$_	24,151	\$_	5,849

Schedule of Expenditures - Budget and Actual Governmental Funds For the Year Ended June 30, 2019 (Continued)

Fund, Function, Activity, and Elements		Original Budget		Final Budget		Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)							
Community development:		100 (10		100 (10	_	100.007	(0 (17)
Planning and community development	\$ <u></u>	123,649	_\$_	123,649	\$_	133,296	(9,647)
Total community development	\$	123,649	\$	123,649	\$_	133,296	(9,647)
Nondepartmental:							
Insurance	\$	41,221	\$	41,221	\$	41,571	(350)
Revenue refunds		-		-		4,819	(4,819)
Contractual services		27,400		27,400		31,543	(4,143)
Bank service charges		12,500		12,500		15,857	(3,357)
Miscellaneous		500		1,400		2,090	(690)
Donations		138,868		119,700		120,700	(1,000)
Total nondepartmental	\$	220,489	_\$_	202,221	\$_	216,580	(14,359)
Capital expenditures:							
Capital outlay	\$	468,560	\$	1,444,903	\$_	670,839	774,064
Debt service:							
Principal	\$	138,650	\$	156,762	\$	156,762	-
Interest		19,631	_	19,787		19,631	156
Total debt service	\$	158,281	\$_	176,549	\$_	176,393	156
Total General Fund	\$	4,968,084	\$	5,954,227	\$	5,095,901	858,326
Special Revenue Fund:							
Taylor Park Fund:							
Taylor Park	\$	-	\$	-	\$_	36,927	(36,927)
Total Taylor Park Fund	\$	-	\$_	-	\$	36,927	(36,927)
Capital Projects Fund:							
Capital projects expenditures	\$	_	\$	_	\$	54,514	(54,514)
capital projects experience	Ť—				- Ť -		(0.170.1.17
Total Capital Projects Fund	\$	-	\$	-	\$	54,514	(54,514)
Total Primary Government	\$ <u></u>	4,968,084	\$_	5,954,227	\$	5,187,342	766,885







Statistical Section

<u>Contents</u>	<u>Tables</u>
Financial Trends These tables contain trend information to help the reader understand how the the Town's financial performance and well-being have changed over time.	1 - 6
Revenue Capacity These tables contain information to help the reader assess the factors affecting the Town's ability to generate its property and sales taxes.	7 - 9
Debt Capacity These tables present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue debt in the future.	10

Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year.

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

	_										
	_	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities	\$	3,604,767\$	3,430,421\$	3,458,415\$	3,493,408\$	4,343,194\$	6,426,911\$	6,879,703\$	6,812,449\$	6,646,598\$	6,576,496
Net investment in capital assets Restricted	Ф	2,387	2,392	134,670	110,059	110,273	110,491	110,688	108,489	108,919	72,721
Unrestricted	_	2,883,587	2,992,024	2,940,650	3,807,987	3,262,813	1,886,857	1,552,399	1,298,911	1,589,401	1,938,793
Total governmental activities net position	\$_	6,490,741 \$	6,424,837 \$	6,533,735 \$	7,411,454 \$	7,716,280 \$	8,424,259 \$	8,542,790\$	8,219,849 \$	8,344,918 \$	8,588,010
Business-type activities											
Net investment in capital assets	\$	11,521,538\$	15,481,745\$	15,193,913\$	15,080,241\$	15,130,074\$	15,035,677\$	14,968,510\$	14,907,763\$	14,863,253\$	14,938,357
Restricted		-	-	68,639	-	-	-	-	-	-	-
Unrestricted	_	4,029,344	1,535,331	886,604	248,257	692,690	175,815	75,741	(127,184)	(482,137)	(471,349)
Total business-type activities net position	\$	15,550,882 \$	17,017,076 \$	16,149,156\$	15,328,498 \$	15,822,764 \$	15,211,492 \$	15,044,251 \$	14,780,579 \$	14,381,116 \$	14,467,008
Primary government											
Net investment in capital assets	\$	15,126,305\$	18,912,166\$	18,652,328\$	18,573,649\$	19,473,268\$	21,462,588\$	21,848,213\$	21,720,212\$	21,509,851\$	21,514,853
Restricted		2,387	2,392	203,309	110,059	110,273	110,491	110,688	108,489	108,919	72,721
Unrestricted	_	6,912,931	4,527,355	3,827,254	4,056,244	3,955,503	2,062,672	1,628,140	1,171,727	1,107,264	1,467,444
Total primary government net position	\$_	22,041,623\$	23,441,913 \$	22,682,891 \$	22,739,952 \$	23,539,044 \$	23,635,751 \$	23,587,041 \$	23,000,428 \$	22,726,034 \$	23,055,018

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

	_										
		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses											
Governmental activities:											
General government administration	\$	822,347 \$	854,434 \$	898,399 \$	775,161 \$	854,920 \$	856,706 \$	979,006 \$	875,454 \$	1,107,261 \$	897,957
Public safety		1,248,816	1,275,689	1,377,427	1,455,083	1,510,652	1,552,517	1,639,762	1,527,727	1,554,318	1,606,968
Public works		1,980,259	1,834,837	1,905,767	1,699,846	1,736,332	2,228,490	1,979,808	2,653,300	2,743,120	2,147,876
Parks, recreation and cultural		132,620	57,976	60,559	71,913	52,195	58,421	50,109	47,917	50,018	82,372
Community development		176,336	243,143	207,866	237,908	221,693	246,980	343,595	355,813	355,054	377,524
Interest on long-term debt	_	78,545	75,574	71,701	67,167	14,114	61,723	56,142	51,715	49,495	44,416
Total governmental activities expenses	\$_	4,438,923 \$	4,341,653 \$	4,521,719 \$	4,307,078 \$	4,389,906 \$	5,004,837 \$	5,048,422 \$	5,511,926 \$	5,859,266 \$	5,157,113
Business-type activities:											
Water	\$	1,419,246 \$	1,406,518 \$	1,540,247 \$	1,564,437 \$	1,449,285 \$	1,561,035 \$	1,414,969 \$	1,511,899 \$	1,596,581 \$	1,450,047
Sewer		942,559	1,139,978	1,735,986	1,795,538	1,961,749	1,823,607	1,869,725	1,837,446	1,787,301	1,833,551
Water and sewer capital improvements		75,958	73,728	69,960	-	-	-	-	-	-	-
Sewer capital improvements	_	70,461	73,455	76,820	<u> </u>	<u> </u>	<u> </u>	<u> </u>		<u> </u>	-
Total business-type activities expenses	\$_	2,508,224 \$	2,693,679 \$	3,423,013 \$	3,359,975 \$	3,411,034 \$	3,384,642 \$	3,284,694 \$	3,349,345 \$	3,383,882 \$	3,283,598
Total primary government expenses	\$	6,947,147 \$	7,035,332 \$	7,944,732 \$	7,667,053 \$	7,800,940 \$	8,389,479 \$	8,333,116 \$	8,861,271 \$	9,243,148 \$	8,440,711
Program Revenues											
Governmental activities:											
Charges for services:											
General government administration	\$	- \$	286,452 \$	291,948 \$	298,030 \$	303,288 \$	309,120 \$	315,072 \$	317,016 \$	325,716 \$	332,820
Public safety		84,822	122,852	75,808	58,887	85,679	66,913	62,056	84,083	75,938	92,549
Public works		51,414	37,323	50,475	103,681	107,498	94,358	82,964	172,940	163,491	192,994
Community development				5,858	5,401	811	3,300	2,430	1,775	3,010	1,263
Operating grants and contributions		918,172	964,445	863,290	895,487	970,366	1,551,123	1,074,655	1,257,792	2,228,546	1,348,307
Capital grants and contributions	_	-		223,805	11,164	413,670	1,394,645	335,279	-	-	-
Total governmental activities program revenues	\$	1,054,408 \$	1,411,072 \$	1,511,184 \$	1,372,650 \$	1,881,312 \$	3,419,459 \$	1,872,456 \$	1,833,606 \$	2,796,701 \$	1,967,933
Business-type activities:											
Charges for services:											
Water	\$	1.177.263 \$	1,287,521 \$	1,152,332 \$	1,372,441 \$	1,282,238 \$	1,298,513 \$	1,313,480 \$	1,174,447 \$	1,252,490 \$	1,301,768
Sewer		1,054,408	1,286,043	1,261,087	1,406,808	1,613,061	1,632,961	1,640,701	1,640,330	1,675,269	1,669,355
Capital grants and contributions	_	4,330,716	1,436,119	20,265	196,023	34,505	7,500	71,149	207,644	18,330	40,564
Total business-type activities program revenues	\$	6,562,387 \$	4,009,683 \$	2,433,684 \$	2,975,272 \$	2,929,804 \$	2,938,974 \$	3,025,330 \$	3,022,421 \$	2,946,089 \$	3,011,687
Total primary government program revenues	\$	7,616,795 \$	5,420,755 \$	3,944,868 \$	4,347,922 \$	4,811,116 \$	6,358,433 \$	4,897,786 \$	4,856,027 \$	5,742,790 \$	4,979,620
Net (expense) / revenue											
Governmental activities	\$	(3 384 515) \$	(2 930 581) \$	(3 010 535) \$	(2 934 428) \$	(2 508 594) \$	(1 585 378) \$	(3 175 966) \$	(3,678,320) \$	(3,062,565) \$	(3 189 180)
Business-type activities	_	4,054,163	1,316,004	(989,329)	(384,703)	(481,230)	(445,668)	(259,364)	(326,924)	(437,793)	(271,911)
	_										
Total primary government net (expense)/		//0 /40 *	(4 (44 577) 4	(2.000.0(() *	(2 240 424) *	(2 000 00 t) ÷	(2.024.04() *	(2.425.226) *	(4 00E 044) *	(2 500 250) *	(2.4(4.005)
revenue	\$_	009,048 \$	(1,614,5//) \$	(3,999,864) \$	(3,319,131) \$	(2,989,824) \$	(2,031,046) \$	(3,435,330)\$	(4,005,244) \$	(3,500,358) \$	(3,461,091)

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

-										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Revenues and Other Changes										
in Net Position										
Governmental activities:										
Taxes:										
Property taxes \$	606,021 \$	684,066 \$	668,032 \$	741,887 \$	689,485 \$	759,925 \$	728,639 \$	878,002 \$	869,356 \$	872,952
Local sales and use taxes	294,143	312,332	321,262	345,208	355,692	241,507	197,533	225,086	229,204	231,072
Restaurant food taxes	908,810	940,940	1,007,295	1,058,059	1,032,790	1,096,455	1,152,548	1,164,425	1,199,380	1,289,772
Consumers' utility taxes	231,703	234,575	230,107	226,271	233,804	233,334	239,301	219,739	234,574	240,652
Other local taxes	424,856	478,793	474,172	468,037	533,451	639,211	525,518	500,846	593,302	512,307
Unrestricted grants and contributions	420,978	410,036	409,005	414,664	411,818	138,536	304,340	308,556	309,463	289,990
Unrestricted revenues from use										
of money and property	11,140	12,449	8,764	17,034	12,138	11,422	19,514	11,622	12,490	25,776
Miscellaneous	348,806	19,484	10,334	24,881	32,723	24,998	127,104	12,977	23,657	68,910
Gain (loss) on the disposal of assets	9,554	18,670	23,249	9,748	17,877	63,219	-	34,126	6,705	7,486
Transfers	-		-	506,358	(506,358)		-	-	-	-
Total governmental activities \$	3,256,011 \$	3,111,345 \$	3,152,220 \$	3,812,147 \$	2,813,420 \$	3,208,607 \$	3,294,497 \$	3,355,379 \$	3,478,131 \$	3,538,917
Business-type activities:										
Unrestricted revenues from use										
of money and property \$	13,247 \$	6,914 \$	1,893 \$	2,632 \$	1,519 \$	1,572 \$	1,688 \$	1,618 \$	3,250 \$	5,789
Miscellaneous	155,390	143,276	55,554	67,771	172,761	149,277	90,435	61,634	60,737	245,369
Transfers	<u> </u>			(506,358)	506,358				<u> </u>	
Total business-type activities \$	168,637 \$	150,190 \$	57,447 \$	(435,955) \$	680,638 \$	150,849 \$	92,123 \$	63,252 \$	63,987 \$	251,158
Total primary government \$	3,424,648 \$	3,261,535 \$	3,209,667 \$	3,376,192 \$	3,494,058 \$	3,359,456 \$	3,386,620 \$	3,418,631 \$	3,542,118 \$	3,790,075
Change in Net Position										
Governmental activities \$	(128,504) \$	180,764 \$	141,685 \$	877,719 \$	304,826 \$	1,623,229 \$	118,531 \$	(322,941) \$	415,566 \$	349,737
Business-type activities	4,222,800	1,466,194	(931,882)	(820,658)	199,408	(294,819)	(167,241)	(263,672)	(373,806)	(20,753)
Total primary government \$	4,094,296 \$	1,646,958 \$	(790,197) \$	57,061 \$	504,234 \$	1,328,410 \$	(48,710) \$	(586,613) \$	41,760 \$	328,984

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

Fiscal Year	Property Tax	Local Sales and Use Tax	Consumers' Utility Tax	Restaurant Food Tax	Other Local Taxes	Total
2019 \$	872.952 \$	5 231.072 \$	240,652 \$	5 1,289,772	\$ 512,307 \$	3,146,755
2018	869,356	229,204	234,574	1,199,380	593,302	3,125,816
2017	878,002	225,086	219,739	1,164,425	500,846	2,988,098
2016	729,128	197,533	239,301	1,152,548	525,518	2,844,028
2015	759,925	241,507	233,334	1,096,455	463,045	2,794,266
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

TOWN OF ORANGE, VIRGINIA Table 4

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

	2010	2011 (1)	2012	2013	2014	2015	2016	2017	2018	2019
General fund										
Reserved	\$ 2,387									
Unreserved	2,539,564									
Total general fund	\$ 2,541,951									
All other governmental funds Unreserved, reported in:										
Taylor park fund	\$ 106,692									
Capital projects funds	53,727									
Total all other governmental funds	\$ 160,419									
Total fund balance, governmental funds	\$ 2,702,370									
General fund										
Nonspendable		\$ 21,387 \$	- \$	- \$	34,623 \$	9,862 \$	14,294 \$	37,151 \$	34,349 \$	30,917
Restricted		2,392	27,392	2,392	2,392	2,392	2,392	-	-	-
Unassigned		2,899,043	2,972,253	3,863,499	3,362,635	2,823,770	2,933,891	2,707,406	3,503,942	3,810,970
Total general fund		\$ 2,922,822 \$	2,999,645 \$	3,865,891 \$	3,399,650 \$	2,836,024 \$	2,950,577 \$	2,744,557 \$	3,538,291 \$	3,841,887
All other governmental funds Restricted										
Taylor park fund		\$ 107,089 \$	107,278 \$	107,667 \$	107,881 \$	108,099 \$	108,296 \$	108,489 \$	108,919 \$	72,721
Assigned										
Capital projects fund		70,507	133,804	124,313	119,093	98,029	-	-	-	-
Unassigned										
Capital projects fund		-	-	-	-	-	(5,573)	(33,032)	(61,238)	(45,421)
Total all other governmental funds		\$ 177,596 \$	241,082 \$	231,980 \$	226,974 \$	206,128 \$	102,723 \$	75,457 \$	47,681 \$	27,300
Total fund balance, governmental funds		\$_3,100,418_\$	3,240,727 \$	4,097,871 \$	3,626,624 \$	3,042,152 \$	3,053,300 \$	2,820,014 \$	3,585,972 \$	3,869,187

^{(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.

TOWN OF ORANGE, VIRGINIA Table 5

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

	_	2010	2011	201	2	2013		2014	2015	2016	2017	2018		2019
Revenues	-													
General property taxes	\$	643,848 \$	701,614	\$ 660,	003 \$	723,149	\$	738,725 \$	731,855 \$	729,128 \$	836,044 \$	875,217 \$	5	882,249
Other local taxes		1,859,512	1,966,640	2,032,	836	2,097,575		2,155,737	2,034,341	2,114,900	2,110,096	2,256,460	2	,273,803
Permits, privilege fees and regulatory licenses		2,539	4,800	5,	868	5,401		811	3,300	2,430	1,775	3,010		1,263
Fines and forfeitures		60,235	100,414	75,	798	58,887		85,679	66,913	62,056	84,083	75,938		92,549
Revenue from use of money and property		11,140	12,449	8,	764	17,034		11,658	11,422	10,079	11,622	12,490		25,776
Charges for services		73,462	54,961	50,	475	103,681		107,498	94,358	82,964	172,940	163,491		192,994
Miscellaneous		36,982	38,154	33,	583	34,629		50,600	32,952	148,468	47,104	30,361		76,396
Recovered costs		19,699	21,052	3,	042	11,448		13,723	149,332	23,758	59,928	26,448		61,055
Revenue from internal sources		346,824	286,452	291,	948	298,030		303,288	309,120	315,072	317,016	325,716		332,820
Intergovernmental revenues:														
Commonwealth		1,333,411	1,318,560	1,388,	593	1,317,347		1,686,080	1,865,825	1,374,592	1,566,348	2,538,009	1	,532,605
Federal		5,739	55,921	107,	507	3,968		-	1,394,645	339,682	-	-		105,692
	-						_							
Total revenues	\$	4,393,391 \$	4,561,017	\$ 4,658,	417 \$	4,671,149	\$	5,153,799 \$	6,694,063 \$	5,203,129 \$	5,206,956 \$	6,307,140 \$	5 5	,577,202
Expenditures														
General government administration	\$	618,538 \$	602,329	\$ 627,	534 \$	627,697	\$	652,017 \$	675,657 \$	759,721 \$	687,550 \$	719,645	\$	726,049
Public safety		1,206,536	1,224,128	1,369,	728	1,370,094		1,421,949	1,485,085	1,394,255	1,453,981	1,575,768	1	,537,340
Public works		1,776,665	1,642,227	1,712,	926	1,658,561		1,802,964	2,040,264	1,629,591	1,688,096	1,613,496	1	,611,253
Parks, recreation and cultural		121,539	22,832	23.	033	27,856		22,495	28,721	21,629	26,623	28,724		61,078
Community development		174,421	157,175	124,	330	119,154		133,579	160,680	110,555	120,146	121,418		133,296
Non-departmental		64,283	197,841	160,		186,764		181,148	202,871	213,362	214,299	217,970		216,580
Capital projects		206,711	148,112	361,		277,418		729,606	2,553,360	870,320	1,055,138	1,016,859		725,353
Debt service			,	,		=,		,	_,	212/222	.,,	.,,		,
Principal		91.650	94,000	115,	887	118,237		147,425	233,598	162,127	167,402	223,086		156.762
Interest and other fiscal charges		77,168	74,325		824	66,817		27,077	33,299	30,421	27,007	24,216		19,631
	-		,				-							,
Total expenditures	\$_	4,337,511 \$	4,162,969	\$ 4,566,	586 \$	4,452,598	\$	5,118,260 \$	7,413,535 \$	5,191,981 \$	5,440,242 \$	5,541,182 \$	5 5	,187,342
Excess of revenues over (under) expenditures	\$	55,880 \$	398,048	\$ 91,	831 \$	218,551	\$	35,539 \$	(719,472) \$	11,148 \$	(233,286) \$	765,958 \$		389,860
Other financing sources (uses)														
Transfers in	\$	7 \$	5	\$	- \$	506,358	\$	(506,358) \$	- \$	- \$	- \$	- \$	\$	-
Transfers out		(7)	(5)		-	-		-	-	-	-	-		(106,645)
Issuance of capital leases		-	-	48,	478	132,235		-	135,000	-	-	-		-
Issuance of refunding bond		-	-		-	-		1,445,250	-	-	-	-		-
Payment to bond escrow agent	_		-		-			(1,440,672)	-		_			
Total other financing sources (uses)	\$	- \$	-	\$ 48,	478 \$	638,593	\$	(501,780) \$	135,000 \$	- \$	- \$	- \$	\$	(106,645)
Net change in fund balances	\$	55,880 \$	398,048	\$ 140,	309 \$	857,144	\$	(466,241) \$	(584,472) \$	11,148 \$	(233,286) \$	765,958 \$	·	283,215
Debt service as a percentage of	-													
noncapital expenditures		4.33%	4.61%	4	.84%	4.87%		4.33%	6.08%	4.92%	4.89%	6.09%		4.34%

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
2019	\$ 882,249	\$	2,273,803	\$ 1,263	\$ 92,549	\$	25,776
2018	875,217		2,256,460	3,010	75,938		12,490
2017	836,044		2,110,096	1,775	84,083		11,622
2016	729,128		2,114,900	2,430	62,056		10,079
2015	731,855		2,034,341	3,300	66,913		11,422
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

NOTE:

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

	Charges for Services	Recovered Costs		Miscellaneous (2)		Inter- governmental		Total	
_			•		•		•		
\$	192,994	\$ 61,055	\$	76,396	\$	1,638,297	\$	5,244,382	
	163,491	26,448		30,361		2,538,009		5,981,424	
	172,940	59,928		47,104		1,566,348		4,889,940	
	82,964	23,758		148,468		1,714,274		4,888,057	
	94,358	149,332		32,952		3,260,470		6,384,943	
	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	

Fiscal Year	Real Estate		Personal Public Property Service		Total Taxable Assessed Value	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
2019	\$	364,334,700 \$	42,975,496 \$	18,903,683 \$	426,213,879 \$	426,283,021	99.98%
2018		363,201,476	40,060,080	18,951,844	422,213,400	422,282,542	99.98%
2017		362,361,500	35,671,613	17,808,609	415,841,722	415,841,722	100.00%
2016		358,356,090	34,424,008	17,186,324	409,966,422	409,966,422	100.00%
2015		361,646,400	34,309,280	13,566,760	409,522,440	409,522,440	100.00%
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%

Source: Commissioner of Revenue of Orange County

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Fiscal Years	 Real Estate	 Personal Property	 Machinery and Tools	 Public Service RE/PP	 Mobile Home
2019	\$.175/.175	\$ 0.830	\$ 0.066	\$.175/.830	\$ 0.175
2018	.175/.175	0.830	0.066	.175/.830	0.175
2017	.155/.175	0.830	0.066	.155/.830	0.155
2016	.155/.155	0.830	0.066	.155/.830	0.155
2015	.155/.155	0.830	0.066	.155/.830	0.155
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

⁽¹⁾ Per \$100 of assessed value

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
2018-19 \$	880,942 \$	915,070	103.87% \$	25,728	\$ 940,798	106.79%	\$ 58,648	6.66%
2017-18	950,348	938,912	98.80%	19,551	958,463	100.85%	36,377	3.83%
2016-17	873,536	845,956	96.84%	6,973	852,929	97.64%	64,014	7.33%
2015-16	822,344	796,864	96.90%	25,754	822,618	100.03%	22,286	2.71%
2014-15	823,502	810,895	98.47%	10,576	821,471	99.75%	24,404	2.96%
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%

⁽¹⁾ Includes Commonwealth's PPTRA reimbursement

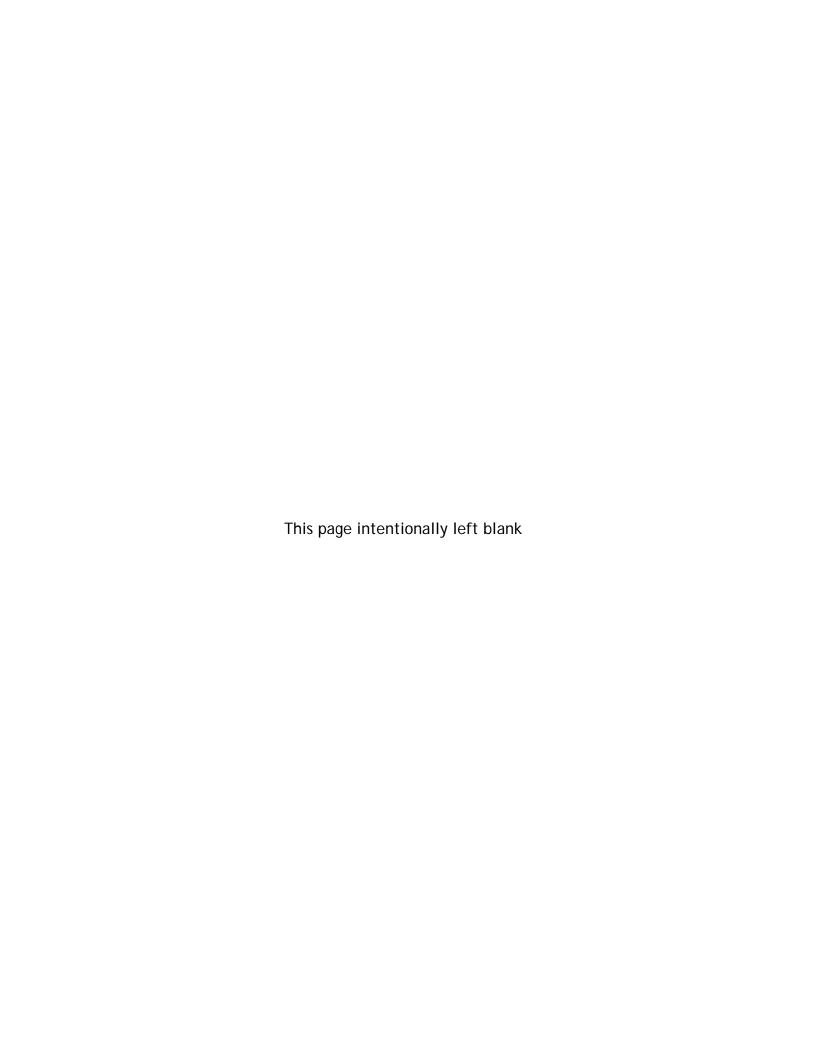
Source: Commissioner of Revenue, County of Orange and Town Treasurer's office

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
2019	5,049	\$ 426,214 \$	3,330,000 \$	2,441,700 \$	888,300	0.21% \$	176
2018	5,044	422,213	3,704,999	2,678,049	1,026,950	0.24%	204
2017	4,988	415,842	4,074,999	2,911,749	1,163,250	0.28%	233
2016	4,947	409,966	4,429,999	3,132,799	1,297,200	0.32%	262
2015	4,902	409,522	4,774,999	3,348,549	1,426,450	0.35%	291
2014	4,855	410,041	5,115,000	3,561,650	1,553,350	0.38%	320
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

⁽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





ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements

Performed in Accordance with Government Auditing Standards

To the Honorable 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, 2019, and the related notes to the financial statements, which collectively comprise Town of Orange, Virginia's basic financial statements, and have issued our report thereon dated November 22, 2019.

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 November 22, 2019

Hobinson, Farmer Car Associates