

Town of Orange, Virginia



*Financial Report
Year Ended June 30, 2011*

TOWN OF ORANGE, VIRGINIA
FINANCIAL REPORT
YEAR ENDED JUNE 30, 2011

TOWN OF ORANGE, VIRGINIA

DIRECTORY OF OFFICIALS

COUNCIL

Ryan Gibson	Henry L. Carter, Mayor	
Kent Higginbotham	Nancy A. Alexander, Vice-Mayor	Harry Hopkins, Jr.

OFFICIALS

Greg Woods	Town Manager
Karen Kelley	Director of Finance
Wendy J. Chewning	Town Clerk

TOWN OF ORANGE, VIRGINIA

FINANCIAL REPORT
YEAR ENDED JUNE 30, 2011

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

TO THE HONORABLE MEMBERS OF THE TOWN COUNCIL TOWN OF ORANGE, VIRGINIA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Orange, Virginia, as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Orange, Virginia's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund, of the Town of Orange, Virginia, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, the Town of Orange, Virginia adopted the provisions of GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, effective July 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2011 on our consideration of the Town of Orange, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of pension and OPEB funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis and schedules of funding progress in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the management's discussion and analysis and schedules of funding progress 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Orange, Virginia's financial statements as a whole. The supporting schedules and statistical information are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The 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.

Robinson, Farmer, Cox Associates
Charlottesville, Virginia
November 18, 2011



Management's Discussion and Analysis

As management of the Town of Orange (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2011. Please read it in conjunction with the Town's basic financial statements, which follow this section.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$23 million (*net assets*). Of this amount, \$5 million (*unrestricted net assets*) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net assets increased by \$1.6 million, of which the governmental activities accounted for a \$.2 million increase and business-type activities accounted for \$1.4 million increase.
- The unassigned ending fund balance for the Town's governmental funds is \$2.9 million an increase of \$398,048 over the prior year. This ending fund balance is equal to 60% of the Town's fiscal year 2011 general fund operating balance.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2.9 million, or 33% of governmental fund expenditures less any capital outlay projects funded with bond proceeds.

Overview of the Financial Statements

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

Overview of the Financial Statements: (Continued)

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 assets* presents information on all of the Town's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of how the financial position of the Town may be changing. Increases in net assets may indicate an improved financial position; however, even decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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).

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 one governmental fund, a General 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.

Overview of the Financial Statements: (Continued)

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20 through 38 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning budgetary comparisons for the general fund and the schedule of funding in progress relating to the Town's participation in its defined benefit pension plan. Required supplementary information can be found on pages 39 and 40 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$23 million at the close of the most recent fiscal year. A large portion of the Town's net assets (\$19 million, 79% 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 Assets:

Town of Orange, Virginia
Summary of Net Assets
As of June 30, 2011

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 3,479,456	\$ 3,082,389	\$ 2,163,240	\$ 5,303,992	\$ 5,642,696	\$ 8,386,381
Capital assets	5,190,321	5,458,666	34,972,803	31,760,534	40,163,124	37,219,200
Total assets	\$ 8,669,777	\$ 8,541,055	\$ 37,136,043	\$ 37,064,526	\$ 45,805,820	\$ 45,605,581
Long-term liabilities						
outstanding	\$ 1,892,463	\$ 1,962,322	\$ 19,550,105	\$ 20,287,226	\$ 21,442,568	\$ 22,249,548
Other liabilities	352,477	87,992	568,862	1,226,418	921,339	1,314,410
Total liabilities	\$ 2,244,940	\$ 2,050,314	\$ 20,118,967	\$ 21,513,644	\$ 22,363,907	\$ 23,563,958
Net assets:						
Invested in capital assets, net of related debt	\$ 3,430,421	\$ 3,604,767	\$ 15,481,745	\$ 11,521,538	\$ 18,912,166	\$ 15,126,305
Restricted	2,392	2,387	-	-	2,392	2,387
Unrestricted	2,992,024	2,883,587	1,535,331	4,029,344	4,527,355	6,912,931
Total net assets	\$ 6,424,837	\$ 6,490,741	\$ 17,017,076	\$ 15,550,882	\$ 23,441,913	\$ 22,041,623

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

Government-Wide Financial Analysis: (Continued)

As noted previously, the Town's overall (government and business-type activities) net assets increased by \$1.6 million during the current fiscal year. The overall increase is attributed to an increase in capital projects financed with debt issuances.

Governmental activities increased the Town's net assets by \$.2 million. The following table summarizes the Town's Statement of Activities:

<p style="text-align: center;">Town of Orange, Virginia Changes in Net Assets As of June 30, 2011</p>						
	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 446,627	\$ 483,060	\$ 2,573,564	\$ 2,231,671	\$ 3,020,191	\$ 2,714,731
Operating grants and contributions	964,445	918,172	-	-	964,445	918,172
Capital grants and contributions	-	-	1,436,119	4,330,716	1,436,119	4,330,716
General revenues:						
Property taxes	684,066	606,021	-	-	684,066	606,021
Other taxes	2,150,317	2,046,445	-	-	2,150,317	2,046,445
Unrestricted revenues from the use of money and property	12,449	11,140	6,914	13,247	19,363	24,387
Miscellaneous	19,484	1,982	143,276	155,390	162,760	157,372
Grants and contributions not restricted to specific programs	226,359	234,045	-	-	226,359	234,045
Gain on disposal of assets	18,670	9,554	-	-	18,670	9,554
Total revenues	<u>\$ 4,522,417</u>	<u>\$ 4,310,419</u>	<u>\$ 4,159,873</u>	<u>\$ 6,731,024</u>	<u>\$ 8,682,290</u>	<u>\$ 11,041,443</u>
Expenses:						
General government administration	\$ 854,434	\$ 822,347	\$ -	\$ -	\$ 854,434	\$ 822,347
Public safety	1,275,689	1,248,816	-	-	1,275,689	1,248,816
Public works	1,834,837	1,980,259	-	-	1,834,837	1,980,259
Parks, recreation and culture	57,976	132,620	-	-	57,976	132,620
Community development	243,143	176,336	-	-	243,143	176,336
Non-departmental	-	-	-	-	-	-
Interest on long-term debt	75,574	78,545	-	-	75,574	78,545
Water fund	-	-	1,406,520	1,419,246	1,406,520	1,419,246
Sewer fund	-	-	1,139,976	942,559	1,139,976	942,559
Water and sewer fund improvements	-	-	73,728	75,958	73,728	75,958
Sewer fund improvements	-	-	73,455	70,461	73,455	70,461
Total expenses	<u>\$ 4,341,653</u>	<u>\$ 4,438,923</u>	<u>\$ 2,693,679</u>	<u>\$ 2,508,224</u>	<u>\$ 7,035,332</u>	<u>\$ 6,947,147</u>
Increase in net assets	<u>\$ 180,764</u>	<u>\$ -128,504</u>	<u>\$ 1,466,194</u>	<u>\$ 4,222,800</u>	<u>\$ 1,646,958</u>	<u>\$ 4,094,296</u>
Net assets-beginning of year	<u>\$ 6,244,073</u>	<u>\$ 6,372,577</u>	<u>\$ 15,550,882</u>	<u>\$ 11,328,082</u>	<u>\$ 21,794,955</u>	<u>\$ 17,700,659</u>
Net assets-end of year	<u>\$ 6,424,837</u>	<u>\$ 6,244,073</u>	<u>\$ 17,017,076</u>	<u>\$ 15,550,882</u>	<u>\$ 23,441,913</u>	<u>\$ 21,794,955</u>

Government-Wide Financial Analysis: (Continued)

Generally, net asset changes are for the difference between revenues and expenses. Key elements of this increase follow:

- A decrease in net assets can be attributed to the reporting of depreciation expense, a non-cash expense, in relation to the Town's capital assets. Depreciation expense accounted for \$.32 million of the decrease.
- An increase in net assets is attributed to capital outlays that will be depreciated over their estimated useful lives. These amounted to \$.15 million.
- An increase in net assets resulting from the effect of the treatment of debt principal in the amount of \$.09 million.

Business-type activities increased the Town's net assets by \$1.4 million. 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. An increase in capital contributions.

Financial Analysis of the Town's Funds

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

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

In fiscal year 2011, the general fund's operating revenues exceeded expenditures by \$380,871.

At the end of the current fiscal year, unassigned fund balance of the General fund was \$2,899,043 while the restricted fund balance was \$2,392. The fund balance restriction represents unspent proceeds from Asset Forfeiture.

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 assets of the water and sewer funds at the end of the year amounted to \$1.5 million. The total net assets increased by \$1.4 million from the prior year.

General Fund Budgetary Highlights

There was an no change between the original budget and the final amended budget expenditures. During the fiscal year the Town's actual revenue was under budget by \$14,442.

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, 2011, amounts to \$40.1 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and machinery and equipment as well as construction in progress.

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

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 750,038	\$ 750,038	\$ 248,292	\$ 248,292	\$ 998,330	\$ 998,330
Buildings	2,269,378	2,338,211	2,715,491	2,805,512	4,984,869	5,143,723
Equipment and improvements	252,307	353,256	2,950,689	2,787,994	3,202,996	3,141,250
Road Systems	1,617,895	1,736,844	-	-	1,617,895	1,736,844
Water storage facility	-	-	3,282,988	3,378,168	3,282,988	3,378,168
Construction in progress	300,703	280,317	25,775,343	22,540,568	26,076,046	22,820,885
Total	\$ 5,190,321	\$ 5,458,666	\$ 34,972,803	\$ 31,760,534	\$ 40,163,124	\$ 37,219,200

Additional information on the Town's capital assets can be found in Note 4 on pages 27 and 28 of this report.

Long-term debt: At the end of the current fiscal year, the Town had total outstanding debt of \$21.4 million and details are summarized in the following table:

Town of Orange, Virginia Outstanding Debt For the Year Ended June 30, 2011

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Bonds Payable:						
General obligation bonds	\$ 1,759,900	\$ 1,853,900	\$ 3,900,821	\$ 4,031,338	\$ 5,660,721	\$ 5,885,238
Revenue bonds	-	-	15,590,237	13,523,913	15,590,237	13,523,913
Notes payable	-	-	-	2,683,745	-	2,683,745
Other post-employment benefits	34,950	11,466	10,050	3,534	45,000	15,000
Compensated absences	97,613	96,957	49,475	44,696	147,088	141,653
Total	\$ 1,892,463	\$ 1,962,323	\$ 19,550,583	\$ 20,287,226	\$ 21,443,046	\$ 22,249,549

Debt associated with governmental activities decreased by \$69,860 while debt associated with business type activities decreased by \$736,643.

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, 2011.

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

Economic Factors and Next Year's Budgets and Rates

The Town did not see any appreciable increase of new home construction in 2011. Real estate reassessments are conducted by the County of Orange every four years. The previous assessment was effective with tax year 2007, therefore significant tax changes are not expected until tax year 2012.

Personal property was revalued by the County in tax year 2009 that decreased the revenue for tax year 2011. The County increased its rates to offset this impact but the town did not. For 2011, the Town increased its personal property rates to offset this impact. The increase was from \$0.60/\$100 to \$0.83/\$100 assessed.

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

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.

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BASIC FINANCIAL STATEMENTS

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Government-wide Financial Statements

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Statement of Net Assets

As of June 30, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,681,625	\$ 1,356,723	\$ 4,038,348
Receivables (net of allowance for uncollectibles):			
Taxes receivable	281,879	-	281,879
Other local revenues	193,716	-	193,716
Accounts receivable	-	252,888	252,888
Loan receivable	-	168,446	168,446
Due from other funds	160,000	-	160,000
Due from other governmental units	103,148	329,472	432,620
Prepaid expenses	21,387	-	21,387
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	2,392	-	2,392
Other assets:			
Unamortized bond issue costs	35,309	55,711	91,020
Capital assets (net of accumulated depreciation):			
Land	750,038	248,292	998,330
Buildings	2,269,378	2,715,490	4,984,868
Equipment and improvements	252,307	2,950,690	3,202,997
Water storage facility	-	3,282,988	3,282,988
Road systems	1,617,895	-	1,617,895
Construction in progress	300,703	25,775,343	26,076,046
Total assets	\$ 8,669,777	\$ 37,136,043	\$ 45,805,820
LIABILITIES			
Accounts payable	\$ 28,728	\$ 295,089	\$ 323,817
Accrued interest payable	30,267	41,915	72,182
Due to other funds	-	160,000	160,000
Unearned revenue	268,482	-	268,482
Deposits held	25,000	71,380	96,380
Long-term liabilities:			
Due within one year	108,461	896,626	1,005,087
Due in more than one year	1,784,002	18,653,957	20,437,959
Total liabilities	\$ 2,244,940	\$ 20,118,967	\$ 22,363,907
NET ASSETS			
Invested in capital assets, net of related debt	\$ 3,430,421	\$ 15,481,745	\$ 18,912,166
Restricted for:			
Asset Forfeiture	2,392	-	2,392
Unrestricted	2,992,024	1,535,331	4,527,355
Total net assets	\$ 6,424,837	\$ 17,017,076	\$ 23,441,913

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

TOWN OF ORANGE, VIRGINIA

Statement of Activities

For the Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 854,434	\$ 286,452	\$ -	\$ -
Public safety	1,275,689	122,852	68,292	-
Public works	1,834,837	37,323	868,790	-
Parks, recreation, and cultural	57,976	-	5,000	-
Community development	243,143	-	22,363	-
Interest on long-term debt	75,574	-	-	-
Total governmental activities	\$ 4,341,653	\$ 446,627	\$ 964,445	\$ -
Business-type activities:				
Water	\$ 1,406,518	\$ 1,287,521	\$ -	\$ -
Sewer	1,139,978	1,286,043	-	-
Water and sewer capital improvements	73,728	-	-	24,996
Sewer capital improvements	73,455	-	-	1,411,123
Total business-type activities	\$ 2,693,679	\$ 2,573,564	\$ -	\$ 1,436,119
Total primary government	\$ 7,035,332	\$ 3,020,191	\$ 964,445	\$ 1,436,119

General revenues:

General property taxes

Other local taxes:

Local sales and use tax

Consumers' utility tax

Bank franchise tax

Restaurant food tax

Communications tax

Tobacco tax

Other local taxes

Unrestricted revenues from use of money and property

Miscellaneous

Grants and contributions not restricted to specific programs

Gain on the disposal of capital assets

Total general revenues and transfers

Change in net assets

Net assets - beginning, as adjusted

Net assets - ending

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (567,982)	\$ -	\$ (567,982)
(1,084,545)	-	(1,084,545)
(928,724)	-	(928,724)
(52,976)	-	(52,976)
(220,780)	-	(220,780)
(75,574)	-	(75,574)
<u>\$ (2,930,581)</u>	<u>\$ -</u>	<u>\$ (2,930,581)</u>
\$ -	\$ (118,997)	\$ (118,997)
-	146,065	146,065
-	(48,732)	(48,732)
-	1,337,668	1,337,668
<u>\$ -</u>	<u>\$ 1,316,004</u>	<u>\$ 1,316,004</u>
<u>\$ (2,930,581)</u>	<u>\$ 1,316,004</u>	<u>\$ (1,614,577)</u>
\$ 684,066	\$ -	\$ 684,066
312,332	-	312,332
234,575	-	234,575
156,272	-	156,272
940,940	-	940,940
183,677	-	183,677
111,645	-	111,645
210,876	-	210,876
12,449	6,914	19,363
19,484	143,276	162,760
226,359	-	226,359
18,670	-	18,670
<u>\$ 3,111,345</u>	<u>\$ 150,190</u>	<u>\$ 3,261,535</u>
180,764	1,466,194	1,646,958
<u>6,244,073</u>	<u>15,550,882</u>	<u>21,794,955</u>
<u>\$ 6,424,837</u>	<u>\$ 17,017,076</u>	<u>\$ 23,441,913</u>

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Fund Financial Statements

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Balance Sheet
Governmental Funds
As of June 30, 2011

	General	Taylor Park	Capital Projects	Total
ASSETS				
Cash and cash equivalents (Note 1)	\$ 2,509,080	\$ 107,089	\$ 65,456	\$ 2,681,625
Receivables (net of allowance for uncollectibles):				
Taxes receivable (Note 1)	281,879	-	-	281,879
Other local revenues	193,716	-	-	193,716
Due from other funds	160,000	-	-	160,000
Due from other governmental units (Note 3)	94,109	-	9,039	103,148
Prepaid expenses	21,387	-	-	21,387
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents	2,392	-	-	2,392
Total assets	<u>\$ 3,262,563</u>	<u>\$ 107,089</u>	<u>\$ 74,495</u>	<u>\$ 3,444,147</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 24,740	\$ -	\$ 3,988	\$ 28,728
Deferred Revenue	290,001	-	-	290,001
Bonds held	25,000	-	-	25,000
Total liabilities	<u>\$ 339,741</u>	<u>\$ -</u>	<u>\$ 3,988</u>	<u>\$ 343,729</u>
Fund balances:				
Nonspendable:				
Prepaid items	\$ 21,387	\$ -	\$ -	\$ 21,387
Restricted for:				
Taylor Park fund	\$ -	\$ 107,089	\$ -	\$ 107,089
Asset forfeiture	2,392	-	-	2,392
Unassigned	2,899,043	-	70,507	2,969,550
Total fund balances	<u>\$ 2,922,822</u>	<u>\$ 107,089</u>	<u>\$ 70,507</u>	<u>\$ 3,100,418</u>
Total liabilities and fund balances	<u>\$ 3,262,563</u>	<u>\$ 107,089</u>	<u>\$ 74,495</u>	<u>\$ 3,444,147</u>

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

Reconciliation of the Balance Sheet of Governmental Funds
 To the Statement of Net Assets
 As of June 30, 2011

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	3,100,418
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		5,190,321
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Unamortized bond issue costs	\$	35,309
Increase/(decrease) in deferred revenue		<u>21,519</u>
		56,828
Interest paid on long-term debt is not accrued in governmental funds, but rather is recognized when paid.		(30,267)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		<u>(1,892,463)</u>
Net assets of governmental activities	\$	<u><u>6,424,837</u></u>

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

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2011

	General	Taylor Park	Capital Projects	Total
REVENUES				
General property taxes	\$ 701,614	\$ -	\$ -	\$ 701,614
Other local taxes	2,150,317	-	-	2,150,317
Permits, privilege fees, and regulatory licenses	4,800	-	-	4,800
Fines and forfeitures	100,414	-	-	100,414
Revenue from the use of money and property	11,833	397	219	12,449
Charges for services	54,961	-	-	54,961
Miscellaneous	30,545	-	7,609	38,154
Recovered costs	21,052	-	-	21,052
Revenue from internal sources	286,452	-	-	286,452
Intergovernmental revenues:				
Commonwealth	1,089,999	-	44,884	1,134,883
Federal	33,558	-	22,363	55,921
Total revenues	\$ 4,485,545	\$ 397	\$ 75,075	\$ 4,561,017
EXPENDITURES				
Current:				
General government administration	\$ 602,329	\$ -	\$ -	\$ 602,329
Public safety	1,224,128	-	-	1,224,128
Public works	1,642,227	-	-	1,642,227
Parks, recreation, and cultural	22,832	-	-	22,832
Community development	157,175	-	-	157,175
Nondepartmental	197,841	-	-	197,841
Capital outlay	89,812	-	58,300	148,112
Debt service:				
Principal retirement	94,000	-	-	94,000
Interest and other fiscal charges	74,325	-	-	74,325
Total expenditures	\$ 4,104,669	\$ -	\$ 58,300	\$ 4,162,969
Excess (deficiency) of revenues over (under) expenditures	\$ 380,876	\$ 397	\$ 16,775	\$ 398,048
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 5	\$ 5
Transfers out	(5)	-	-	(5)
Total other financing sources (uses)	\$ (5)	\$ -	\$ 5	\$ -
Net change in fund balances	\$ 380,871	\$ 397	\$ 16,780	\$ 398,048
Fund balances - beginning	2,541,951	106,692	53,727	2,702,370
Fund balances - ending	\$ 2,922,822	\$ 107,089	\$ 70,507	\$ 3,100,418

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

Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2011

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

Net change in fund balances - total governmental funds	\$	398,048
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Details supporting this adjustment are as follows:

Capital outlay	\$	60,230	
Depreciation expense		<u>(328,575)</u>	(268,345)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(17,549)
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, 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.

Principal retired on general obligation bonds	<u>94,000</u>	94,000
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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.

(Decrease)/increase in bond issue costs	(2,522)	
(Increase)/decrease in compensated absences	(657)	
(Increase)/decrease in other post-employment benefits	(23,484)	
(Increase)/decrease in accrued interest payable	<u>1,273</u>	(25,390)

Change in net assets of governmental activities	\$	<u><u>180,764</u></u>
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The notes to the financial statements are an integral part of this statement.

Statement of Net Assets
 Proprietary Funds
 As of June 30, 2011

	Enterprise Funds				
	Water Fund	Sewer Fund	Water & Sewer Capital Improvements	Sewer Capital Improvements	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 140,288	\$ 118,238	\$ 330,795	\$ 767,402	\$ 1,356,723
Accounts Receivables (net of allowances for uncollectibles):	123,786	129,102	-	-	252,888
Loan receivable	-	-	-	168,446	168,446
Due from other governmental units	-	-	-	329,472	329,472
Total Current Assets	\$ 264,074	\$ 247,340	\$ 330,795	\$ 1,265,320	\$ 2,107,529
Noncurrent assets:					
Bond Issue Costs	\$ 54,097	\$ 1,614	\$ -	\$ -	\$ 55,711
Capital assets (net of accumulated depreciation):					
Land	160,251	88,041	-	-	248,292
Buildings	757,030	1,958,460	-	-	2,715,490
Equipment and improvements	2,476,077	474,613	-	-	2,950,690
Water storage facility	3,282,988	-	-	-	3,282,988
Construction in progress	49,712	-	1,718,465	24,007,166	25,775,343
Total Capital Assets, Net	\$ 6,726,058	\$ 2,521,114	\$ 1,718,465	\$ 24,007,166	\$ 34,972,803
Total Noncurrent Assets	\$ 6,780,155	\$ 2,522,728	\$ 1,718,465	\$ 24,007,166	\$ 35,028,514
Total Assets	\$ 7,044,229	\$ 2,770,068	\$ 2,049,260	\$ 25,272,486	\$ 37,136,043
LIABILITIES					
Current liabilities:					
Accounts payable and accrued expenses	\$ 5,103	\$ 9,925	\$ -	\$ 280,061	\$ 295,089
Accrued interest payable	9,080	-	26,403	6,432	41,915
Deposits held	71,380	-	-	-	71,380
Bonds payable, current portion	51,151	-	85,701	754,826	891,678
Total Current Liabilities	\$ 136,714	\$ 9,925	\$ 112,104	\$ 1,041,319	\$ 1,300,062
Noncurrent liabilities:					
Bonds payable	\$ 2,311,053	\$ -	\$ 1,452,916	\$ 14,835,411	\$ 18,599,380
Due to other funds	-	-	160,000	-	160,000
OPEB liability	5,090	4,960	-	-	10,050
Compensated absences	19,833	29,642	-	-	49,475
Total Noncurrent Liabilities	\$ 2,335,976	\$ 34,602	\$ 1,612,916	\$ 14,835,411	\$ 18,818,905
Total Liabilities	\$ 2,472,690	\$ 44,527	\$ 1,725,020	\$ 15,876,730	\$ 20,118,967
NET ASSETS					
Invested in capital assets, net of related debt	\$ 4,363,854	\$ 2,521,114	\$ 179,848	\$ 8,416,929	\$ 15,481,745
Unrestricted	207,685	204,427	144,392	978,827	1,535,331
Total Net Assets	\$ 4,571,539	\$ 2,725,541	\$ 324,240	\$ 9,395,756	\$ 17,017,076
Total Liabilities and Net Assets	\$ 7,044,229	\$ 2,770,068	\$ 2,049,260	\$ 25,272,486	\$ 37,136,043

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

Statement of Revenues, Expenses, and Changes in Fund Net Assets
 Proprietary Funds
 For the Year Ended June 30, 2011

	Enterprise Funds				
	Water Fund	Sewer Fund	Water & Sewer Capital Improvements	Sewer Capital Improvements	Total
OPERATING REVENUES:					
Charges for services:					
Charges for services and connection fees	\$ 1,287,521	\$ 1,286,043	\$ -	\$ -	\$ 2,573,564
Miscellaneous	38,944	29,580	74,752	-	143,276
Total Operating Revenues	\$ 1,326,465	\$ 1,315,623	\$ 74,752	\$ -	\$ 2,716,840
OPERATING EXPENSES:					
Personal Services	\$ 278,204	\$ 334,163	\$ 62,720	\$ -	\$ 675,087
Fringe Benefits	101,463	117,895	4,797	-	224,155
Contractual services/maintenance	46,413	44,064	-	-	90,477
Materials & supplies	157,604	152,936	-	-	310,540
Utilities	139,523	186,168	-	-	325,691
Internal services	235,444	130,512	-	-	365,956
Other charges	150	2,608	-	28	2,786
Capital outlay	74,079	3,074	6,211	-	83,364
Depreciation	267,037	104,755	-	-	371,792
Total Operating Expenses	\$ 1,299,917	\$ 1,076,175	\$ 73,728	\$ 28	\$ 2,449,848
Operating Income (Loss)	\$ 26,548	\$ 239,448	\$ 1,024	\$ (28)	\$ 266,992
NONOPERATING REVENUES (EXPENSES):					
Interest Earned	\$ 380	\$ 343	\$ 6,191	\$ -	\$ 6,914
Interest and fiscal charges	(106,601)	(63,803)	-	(73,427)	(243,831)
Total Nonoperating Revenues (Expenses)	\$ (106,221)	\$ (63,460)	\$ 6,191	\$ (73,427)	\$ (236,917)
Income (Loss) Before Contributions and Transfers	\$ (79,673)	\$ 175,988	\$ 7,215	\$ (73,455)	\$ 30,075
Capital contributions and grants	\$ -	\$ -	\$ 24,996	\$ 1,411,123	\$ 1,436,119
Operating transfers in/out	891,605	1,748,566	(2,427,932)	(212,239)	-
Change in Net Assets	\$ 811,932	\$ 1,924,554	\$ (2,395,721)	\$ 1,125,429	\$ 1,466,194
Net Assets at Beginning of Year	3,759,607	800,987	2,719,961	8,270,327	15,550,882
Net Assets at End of Year	<u>\$ 4,571,539</u>	<u>\$ 2,725,541</u>	<u>\$ 324,240</u>	<u>\$ 9,395,756</u>	<u>\$ 17,017,076</u>

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

Statement of Cash Flows
 Proprietary Funds
 For the Year Ended June 30, 2011

	Enterprise Funds				
			Water & Sewer Capital Improvements	Sewer Capital Improvements	Total
	Water Fund	Sewer Fund			
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers and users	\$ 1,334,544	\$ 1,309,075	\$ 111,449	\$ -	\$ 2,755,068
Payments to suppliers	(677,590)	(509,795)	(12,157)	(305,562)	(1,505,104)
Payments to and on behalf of employees	(374,543)	(445,887)	(67,517)	-	(887,947)
Net cash provided (used) by operating activities	\$ 282,411	\$ 353,393	\$ 31,775	\$ (305,562)	\$ 362,017
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Net transfers to/from other funds	\$ 891,605	\$ 1,748,566	\$ (2,427,932)	\$ (212,239)	\$ -
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	\$ (115,976)	\$ (235,996)	\$ (135,179)	\$ (3,096,912)	\$ (3,584,063)
Capital contributions	-	-	24,996	1,411,123	1,436,119
Proceeds from the issuance of debt	-	-	-	2,066,324	2,066,324
Repayment of long-term debt	(891,187)	(1,841,455)	(81,620)	-	(2,814,262)
Interest paid on long-term debt	(102,647)	(63,685)	(1,491)	(137,456)	(305,279)
Net cash provided (used) by capital and related financing activities	\$ (1,109,810)	\$ (2,141,136)	\$ (193,294)	\$ 243,079	\$ (3,201,161)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest and dividends received	\$ 380	\$ 343	\$ 6,191	\$ -	\$ 6,914
Net increase (decrease) in cash and cash equivalents	\$ 64,586	\$ (38,834)	\$ (2,583,260)	\$ (274,722)	\$ (2,832,230)
Cash and cash equivalents - beginning	75,702	157,072	2,914,055	1,042,124	4,188,953
Cash and cash equivalents at - ending	\$ 140,288	\$ 118,238	\$ 330,795	\$ 767,402	\$ 1,356,723
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 26,548	\$ 239,448	\$ 1,024	\$ (28)	\$ 266,992
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	267,037	104,755	-	-	371,792
Changes in operating assets and liabilities:					
(Increase) decrease in receivables	16,056	(6,548)	36,697	-	46,205
(Increase) decrease in due from other governmental units		-	-	258,190	258,190
Increase (decrease) in accounts payable	(24,377)	9,567	(5,946)	(563,724)	(584,480)
Increase (decrease) in due to other governmental units	(10,097)	-	-	-	(10,097)
Increase (decrease) in customer deposits	2,120	-	-	-	2,120
Increase(decrease) in other post-employment benefits	3,534	2,982	-	-	6,516
Increase (decrease) in compensated absences	1,590	3,189	-	-	4,779
Net cash provided (used) by operating activities	\$ 282,411	\$ 353,393	\$ 31,775	\$ (305,562)	\$ 362,017

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

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TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2011

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.

Individual Component Unit Disclosures

The Town has no component units.

Related Organizations

The Town has no related organizations.

Jointly Governed Organizations

The Town has no jointly governed organizations.

B. Government-wide and Fund Financial Statements

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

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

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

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

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

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

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

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

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

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

The Town applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989 unless these pronouncements conflict with or contradict GASB pronouncements.

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

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

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

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

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

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

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

- a. General Fund

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

- b. Capital Projects Fund

The Capital Projects Fund accounts for and reports financial resources that are restricted, committed or assigned to expenditure for capital outlays, except for those financed by proprietary funds or for assets held in trust for individuals, private organizations, or other governments. The Town's Capital Improvements 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 Town's Taylor Park Fund is accounted for as a special revenue fund.

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

Enterprise Funds

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

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

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

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

Enterprise Funds: (Continued)

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

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

D. Budgets and Budgetary Accounting:

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

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

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

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

E. 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.

F. Restricted Assets

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

G. Capital Assets:

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Interest attributable to capitalized assets for the year ended June 30, 2011 was immaterial.

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

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

H. Compensated Absences:

Vested or accumulated vacation leave is reported as an expense in the statement of activities and a long-term obligation in the Statement of Net Assets. In accordance with the provisions of Government Accounting Standards Board Statement No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

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

I. 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.

J. Allowance for Uncollectible Accounts:

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. As of June 30, 2011, the allowances amounted to \$47,146 for property taxes, \$55,181 for water charges and \$72,505 for sewer charges.

K. Property Taxes

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

L. 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.

M. Net Assets

Net assets are the difference between assets and liabilities. Net assets invested in capital assets represent capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets.

N. Investments

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

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

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

O. Fund Equity

Beginning with fiscal year 2011, the Town implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. 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.

In accordance with GASB Statement 54, 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).

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.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

Investments:

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

Custodial Credit Risk (Investments):

The Town does not have an investment policy.

The Town’s investments at June 30, 2011 were held by the Town or in the Town’s name by the Town’s custodial banks.

External Investment Pools

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

NOTE 3—DUE FROM OTHER GOVERNMENTAL UNITS:

Commonwealth of Virginia:	
Rolling stock tax	\$ 22
Water Quality Enhancement	329,472
Communications tax	28,029
Fire Programs	1,358
VRTA TOOT	8,874
Auto rental tax	8,270
Asset Forfeiture	165
Federal:	
Law Enforcement Funds	1,207
County of Orange:	
Local Sales Tax	<u>55,223</u>
Total	<u>\$ 432,620</u>

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

NOTE 4—CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2011 was as follows:

	<u>Balance June 30, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2011</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 750,038	\$ -	\$ -	\$ 750,038
Construction in progress	280,317	20,386	-	300,703
Total capital assets, not being depreciated	<u>\$ 1,030,355</u>	<u>\$ 20,386</u>	<u>\$ -</u>	<u>\$ 1,050,741</u>
Capital assets, being depreciated:				
Buildings	\$ 2,898,161	\$ -	\$ -	\$ 2,898,161
Equipment and improvements	2,015,658	39,844	(15,449)	2,040,053
Road systems	2,378,972	-	-	2,378,972
Total capital assets being depreciated	<u>\$ 7,292,791</u>	<u>\$ 39,844</u>	<u>\$ (15,449)</u>	<u>\$ 7,317,186</u>
Less accumulated depreciation for:				
Buildings	\$ (559,950)	\$ (68,833)	\$ -	\$ (628,783)
Equipment and improvements	(1,662,402)	(140,793)	15,449	(1,787,746)
Road systems	(642,128)	(118,949)	-	(761,077)
Total accumulated depreciation	<u>\$ (2,864,480)</u>	<u>\$ (328,575)</u>	<u>\$ 15,449</u>	<u>\$ (3,177,606)</u>
Total capital assets, being depreciated, net	<u>\$ 4,428,311</u>	<u>\$ (288,731)</u>	<u>\$ -</u>	<u>\$ 4,139,580</u>
Governmental activities capital assets, net	<u><u>\$ 5,458,666</u></u>	<u><u>\$ (268,345)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,190,321</u></u>

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

NOTE 4—CAPITAL ASSETS: (CONTINUED)

	Balance June 30, 2010	Additions	Retirements	Balance June 30, 2011
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 248,292	\$ -	\$ -	\$ 248,292
Construction in progress	22,540,568	3,234,775	-	25,775,343
Total capital assets, not being depreciated	<u>\$ 22,788,860</u>	<u>\$ 3,234,775</u>	<u>\$ -</u>	<u>\$ 26,023,635</u>
Capital assets, being depreciated:				
Buildings	\$ 4,431,352	\$ -	\$ -	\$ 4,431,352
Equipment and improvements	8,318,880	349,286	-	8,668,166
Water storage facility	3,807,196	-	-	3,807,196
Total capital assets being depreciated	<u>\$ 16,557,428</u>	<u>\$ 349,286</u>	<u>\$ -</u>	<u>\$ 16,906,714</u>
Less accumulated depreciation for:				
Buildings	\$ (1,625,840)	\$ (90,022)	\$ -	\$ (1,715,862)
Equipment and improvements	(5,530,886)	(186,590)	-	(5,717,476)
Water storage facility	(429,028)	(95,180)	-	(524,208)
Total accumulated depreciation	<u>\$ (7,585,754)</u>	<u>\$ (371,792)</u>	<u>\$ -</u>	<u>\$ (7,957,546)</u>
Total capital assets, being depreciated, net	<u>\$ 8,971,674</u>	<u>\$ (22,506)</u>	<u>\$ -</u>	<u>\$ 8,949,168</u>
Business-type activities capital assets, net	<u>\$ 31,760,534</u>	<u>\$ 3,212,269</u>	<u>\$ -</u>	<u>\$ 34,972,803</u>

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

NOTE 4—CAPITAL ASSETS: (CONTINUED)

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

Governmental activities:

General government administration	\$	145,123
Public safety		22,157
Public works		151,801
Parks, recreation and cultural		<u>9,494</u>

Total depreciation expense - governmental activities \$ 328,575

Business-type activities:

Water	\$	267,037
Sewer		<u>104,755</u>

Total depreciation expense - business-type activities \$ 371,792

NOTE 5—LONG TERM DEBT:

Governmental Activities:

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 98,700	\$ 70,667
2013	101,050	66,672
2014	105,750	62,536
2015	108,100	58,259
2016	112,800	53,841
2017-2021	634,500	196,287
2022-2025	<u>599,000</u>	<u>54,047</u>
Total	\$ <u><u>1,759,900</u></u>	\$ <u><u>562,309</u></u>

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

NOTE 5—LONG TERM DEBT: (CONTINUED)

Governmental Activities: (Continued)

Changes in Long term Obligations:

The following is a summary of long term debt transactions of the Town for the year ended June 30, 2011:

	Long-term Debt Payable July 1, 2010	Issuances	Retirements	Long-term Debt Payable June 30, 2011
General Obligation Bonds	\$ 1,853,900	\$ -	\$ 94,000	\$ 1,759,900
Other Post-Employment Benefits (Note 13)	11,466	23,484	-	34,950
Compensated Absences (Note 6)	96,956	657	-	97,613
Total	<u>\$ 1,962,322</u>	<u>\$ 24,141</u>	<u>\$ 94,000</u>	<u>\$ 1,892,463</u>

Details of Long term Obligations:

	Total Amount	Amount Due Within One Year
\$2,363,000 General obligation bonds issued December 29, 2004 payable in annual principal payments ranging from \$77,400 to \$148,350 and semi-annual interest payments ranging from 2.5% to 4.375% and final payment due July 20, 2024.	\$ 1,759,900	\$ 98,700
Compensated absences (Note 6)	97,613	9,761
Other post-employment benefits (Note 13)	34,950	-
Total general long term obligation debt	<u>\$ 1,892,463</u>	<u>\$ 108,461</u>

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

NOTE 5—LONG TERM DEBT: (CONTINUED)

Enterprise Activities:

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 891,678	\$ 233,834
2013	899,191	224,466
2014	909,418	214,874
2015	917,061	205,059
2016	927,423	195,015
2017-2021	4,823,189	814,348
2022-2026	4,946,922	515,718
2027-2031	3,980,161	277,996
2032-2036	346,165	199,170
2037-2041	419,292	126,044
2042-2046	430,558	37,190
Total	<u>\$ 19,491,058</u>	<u>\$ 3,043,714</u>

Changes in Long term Obligations:

	<u>Long-term Debt Payable July 1, 2010</u>	<u>Issuances</u>	<u>Retirements</u>	<u>Long-term Debt Payable June 30, 2011</u>
General Obligation Bonds	\$ 4,031,338	\$ -	\$ 130,517	\$ 3,900,821
Revenue Bonds	13,523,913	2,066,324	-	15,590,237
Notes Payable	2,683,745	-	2,683,745	-
Other Post-Employment Benefits (Note 13)	3,534	6,516	-	10,050
Compensated Absences (Note 6)	<u>44,696</u>	<u>4,779</u>	<u>-</u>	<u>49,475</u>
Total	<u>\$ 20,287,226</u>	<u>\$ 2,077,619</u>	<u>\$ 2,814,262</u>	<u>\$ 19,550,583</u>

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

NOTE 5—LONG TERM DEBT: (CONTINUED)

Details of Long term Obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>Bonds Payable:</u>		
\$2,597,000 General Obligation Bonds issued December 29, 2004 maturing annually with payments ranging from \$102,600 to \$196,650 and semi-annual interest payments ranging from 2.5% to 4.375%. Final payment due July 20, 2024	\$ 2,010,100	\$ 111,300
\$1,277,400 USDA bonds issued September 28, 2005 payable in monthly installments of \$5,506 including 4.125%. Final payment due September 2045.	1,207,605	16,321
\$722,600 USDA bonds issued September 28, 2005 payable in monthly installments of \$3,115 including interest at 4.125%. Final payment due September 2045.	683,116	9,231
\$16,177,744 Revenue Bonds, Series 2008 issued May 1, 2008 maturing annually with payments of \$435,883 beginning 2011, due December 2030 bearing no interest. Final payment due May 2028.	<u>15,590,237</u>	<u>754,826</u>
Total bonds payable	\$ <u>19,491,058</u>	\$ <u>891,678</u>
Compensated absences (Note 6)	\$ 49,475	\$ 4,948
Other post-employment benefits (Note 13)	<u>10,050</u>	<u>-</u>
Total enterprise debt	\$ <u><u>19,550,583</u></u>	\$ <u><u>896,626</u></u>

NOTE 6—CLAIMS, JUDGMENTS AND COMPENSATED ABSENCES:

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

Town employees earn annual leave at various rates. No benefits or pay is received for unused sick leave upon termination. Accumulated vacation and banked holidays are paid upon termination up to a maximum of 240 hours. The Town's general fund has outstanding accrued leave pay totaling \$97,613 and the Enterprise Funds have outstanding accrued leave pay of \$49,475.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

NOTE 7—DEFINED BENEFIT PENSION PLAN:

A. Plan Description

Name of Plan: Virginia Retirement System (VRS)

Identification of Plan: Agent and Cost-Sharing, Multiple-Employer
Defined Benefit Pension Plan

Administering Entity: Virginia Retirement System (System)

All full-time, salaried permanent employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

VRS administers two defined benefit plans for local government employees - Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least 10 years of service credit or age 50 with at least five years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70 or 1.85% as elected by the employer. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

NOTE 7—DEFINED BENEFIT PENSION PLAN: (CONTINUED)

A. Plan Description: (Continued)

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the report may be obtained from the VRS website at <http://www.varetire.org/PDF/Publications/2010-Annual-Report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their annual salary to the VRS. This 5% member may be assumed by the employer. In addition, the Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Town's contribution rate for the fiscal year ended June 30, 2011 was 5.61% of the annual covered payroll.

C. Annual Pension Cost:

For FY2011, the Town's annual pension cost of \$115,301 (does not include the employee share of \$102,763, assumed by the Town) was equal to the Town's required and actual contributions.

Three-Year Trend Information for Town

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2011	\$ 115,301	100%	\$ -
June 30, 2010	84,430	100%	-
June 30, 2009	78,996	100%	-

The FY2011 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.6% per year, and (c) a cost of living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the Town's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Town's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

NOTE 7—DEFINED BENEFIT PENSION PLAN: (CONTINUED)

D. Funded Status and Funding Progress

As of June 30, 2010, most recent actuarial valuation date, the plan was 76.10% funded. The actuarial accrued liability for benefits was \$5,540,414, and the actuarial value of assets was \$4,216,353, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,324,061. The covered payroll (annual payroll of active employees covered by the plan) was \$2,168,541 and ratio of the UAAL to the covered payroll was 61.06%.

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

NOTE 8—DEFERRED REVENUE:

Deferred 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. Deferred revenue totaling \$290,001 is comprised of the following:

Deferred Property Tax Revenue: Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$270,296 at June 30, 2011.

Prepaid Property Taxes: Property taxes due subsequent to June 30, 2011, but paid in advance by the tax payers totaled \$19,705 at June 30, 2011.

NOTE 9—RESTRICTED NET ASSETS/ FUND BALANCES:

The Town has restrictions of its equity as follows:

Statement of Net Assets:

Restricted Net Assets - Includes \$2,392 in Asset Forfeiture Funds unspent as of year-end.

Balance Sheet - Governmental Funds:

Restricted Fund Balance - Restricted as described above.

NOTE 10—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. The loan was still outstanding at year-end and it is the Town's intent that the loan be repaid in the future.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

NOTE 11—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 12—LITIGATION:

At June 30, 2011, there were no matters of litigation involving the Town which would materially affect the Town's financial position should any court decisions on pending matters not be favorable to such entities.

NOTE 13—RESTATEMENT OF BEGINNING NET ASSETS:

Beginning net assets have been adjusted to reflect a change in the method of accounting for unearned property tax revenue. Details of the adjustment are as follows:

Net assets at June 30, 2010	\$ 6,490,741
Adjustment:	<u>(246,668)</u>
Net assets at June 30, 2010, as adjusted	<u><u>\$ 6,244,073</u></u>

NOTE 14—OTHER POST-EMPLOYMENT BENEFITS:

Background

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

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

NOTE 14—OTHER POST-EMPLOYMENT BENEFITS: (CONTINUED)

Background: (Continued)

A. Plan Description:

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

B. Funding Policy:

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

C. Annual OPEB Cost and Net OPEB Obligation:

The annual cost of other post-employment benefits (OPEB) under GASB 45 is called the annual required contribution or ARC. The estimated pay as you go cost for OPEB benefits is \$30,000 for fiscal year 2011. The Town did not make a payment towards this obligation during the fiscal year. The Town is required to contribute the annual required contribution of the employer (ARC) an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

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

Annual required contribution	\$	30,000
Interest on net OPEB obligation		1,000
Adjustment to annual required contribution		(1,000)
Annual OPEB cost (expense)	\$	30,000
Estimated contributions made		-
Increase in net OPEB obligation	\$	30,000
Net OPEB obligation - beginning of year		15,000
Net OPEB obligation - end of year	\$	45,000

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

NOTE 14—OTHER POST-EMPLOYMENT BENEFITS: (CONTINUED)

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

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 and 2010 are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$ 29,000	48%	\$ 15,000
June 30, 2011	30,000	0%	45,000

The funded status of the plan as of June 30, 2010 is as follows:

Actuarial accrued liability (AAL)	\$ 190,000
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	190,000
Funded ratio (actuarial value of plan assets / AAL)	0%
Covered payroll (active plan members)	2,278,000
UAAL as a percentage of covered payroll	8.30%

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

Actuarial Method & Assumption

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

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

NOTE 14—OTHER POST-EMPLOYMENT BENEFITS: (CONTINUED)

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

Actuarial Method & Assumption: (Continued)

In the July 1, 2010 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return and an annual healthcare cost trend rate of 10.00 percent initially, reduced by decrements to an ultimate rate of 5.50 percent after 5 years. Both rates included a 3.00 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five year-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2010 was 30 years.

Actuarial Cost Method

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

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

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

Interest Assumptions

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

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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.

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Required Supplementary Information
 Budgetary Comparison Schedule
 For the Year Ended June 30, 2011

	General Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:				
General Property Taxes	\$ 651,074	\$ 651,074	\$ 701,614	\$ 50,540
Other local taxes/revenues	2,056,800	2,056,800	2,150,317	93,517
Permits, fees, and regulatory licenses	1,100	1,100	4,800	3,700
Fines and forfeitures	60,000	60,000	100,414	40,414
Revenues from use of money and property	9,960	9,960	11,833	1,873
Charges for Services	80,638	80,638	54,961	(25,677)
Miscellaneous revenues	346,352	346,352	30,545	(315,807)
Recovered costs	12,000	12,000	21,052	9,052
Revenue from internal sources	286,450	286,450	286,452	2
Intergovernmental				
Commonwealth	995,613	995,613	1,089,999	94,386
Federal	-	-	33,558	33,558
Total Revenues	<u>\$ 4,499,987</u>	<u>\$ 4,499,987</u>	<u>\$ 4,485,545</u>	<u>\$ (14,442)</u>
EXPENDITURES:				
Current:				
General government administration	\$ 633,495	\$ 633,495	\$ 602,329	\$ 31,166
Public safety	1,219,648	1,219,648	1,224,128	(4,480)
Public works	1,722,812	1,722,812	1,642,227	80,585
Parks, recreation, and cultural	135,950	25,500	22,832	2,668
Community development	169,295	169,295	157,175	12,120
Nondepartmental	77,141	187,591	197,841	(10,250)
Capital projects	373,322	373,322	89,812	283,510
Debt service:				
Principal	94,000	94,000	94,000	-
Interest and finance charges	74,324	74,324	74,325	(1)
Total Expenditures	<u>\$ 4,499,987</u>	<u>\$ 4,499,987</u>	<u>\$ 4,104,669</u>	<u>\$ 395,318</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 380,876</u>	<u>\$ 380,876</u>
OTHER FINANCING SOURCES (USES):				
Net operating transfers	\$ -	\$ -	\$ (5)	\$ (5)
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5)</u>	<u>\$ (5)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 380,871</u>	<u>\$ 380,871</u>
Fund Balance at Beginning of Year	<u>2,541,951</u>	<u>2,541,951</u>	<u>2,541,951</u>	<u>-</u>
Fund Balance at End of Year	<u><u>\$ 2,541,951</u></u>	<u><u>\$ 2,541,951</u></u>	<u><u>\$ 2,922,822</u></u>	<u><u>\$ 380,871</u></u>

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

Schedule of Funding Progress
For the Year Ended June 30, 2011

Virginia Retirement System						
Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll	UAAL as % of Covered Payroll (c/e)
	(a)	(b)	(c)	(d)	(e)	(f)
06/30/02	\$ 2,672,911	\$ 2,597,598	\$ (75,313)	102.90%	1,201,017	(6.27%)
06/30/03	2,668,534	2,810,024	141,490	94.96%	1,341,311	10.55%
06/30/04	2,731,484	3,109,913	378,429	87.83%	\$ 1,561,787	24.23%
06/30/05	2,897,106	3,305,458	408,352	87.65%	1,630,570	25.04%
06/30/06	3,148,937	3,111,988	(36,949)	101.19%	1,769,424	(2.09%)
06/30/07	3,613,587	3,692,459	78,872	97.86%	1,947,235	4.05%
06/30/08	4,050,356	4,334,980	284,624	93.43%	2,005,520	14.19%
06/30/09	4,150,325	4,675,355	525,030	88.77%	2,061,639	25.48%
06/30/10	4,216,353	5,540,414	1,324,061	76.10%	2,168,541	61.06%

Other Post-Employment Benefits						
Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll	UAAL as % of Covered Payroll (c/e)
	(a)	(b)	(c)	(d)	(e)	(f)
06/30/10	\$ -	\$ 190,000	\$ 190,000	0.00%	2,278,000	8.30%

OTHER SUPPLEMENTARY INFORMATION

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Supporting Schedules

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Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2011

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	\$ 510,000	\$ 510,000	\$ 526,631	\$ 16,631
Personal property taxes	104,374	104,374	130,393	26,019
Public service corporation taxes	16,700	16,700	18,427	1,727
Delinquent taxes	20,000	20,000	26,163	6,163
Total general property taxes	\$ 651,074	\$ 651,074	\$ 701,614	\$ 50,540
Other local taxes/revenues				
Local sales and use taxes	\$ 294,000	\$ 294,000	\$ 312,332	\$ 18,332
Consumers' utility taxes	230,000	230,000	234,575	4,575
Communication taxes	192,000	192,000	183,677	(8,323)
Electric consumption taxes	15,000	15,000	15,531	531
Motor vehicle licenses	50,000	50,000	89,216	39,216
Bank franchise taxes	100,000	100,000	156,272	56,272
Restaurant food taxes	940,000	940,000	940,940	940
Business License	7,000	7,000	9,223	2,223
Transient/occupancy tax	110,000	110,000	96,906	(13,094)
Cigarette tax	118,800	118,800	111,645	(7,155)
Total other local taxes/revenues	\$ 2,056,800	\$ 2,056,800	\$ 2,150,317	\$ 93,517
Permits, fees, and regulatory licenses:				
Planning and development fees	\$ 1,000	\$ 1,000	\$ 4,650	\$ 3,650
Construction permits/fees	100	100	150	50
Total permits, fees, and regulatory licenses	\$ 1,100	\$ 1,100	\$ 4,800	\$ 3,700
Fines and forfeitures:				
Court fines and forfeitures	\$ 60,000	\$ 60,000	\$ 100,414	\$ 40,414
Revenue from use of money and property:				
Revenue from use of money	\$ 8,400	8,400	8,043	(357)
Revenue from use of property	1,560	1,560	3,790	2,230
Total revenue from use of money and property	\$ 9,960	\$ 9,960	\$ 11,833	\$ 1,873
Charges for services:				
Refuse Collection	\$ 63,000	\$ 63,000	\$ 37,323	\$ (25,677)
Transit fees	17,638	17,638	17,638	-
Total Charges for Services	\$ 80,638	\$ 80,638	\$ 54,961	\$ (25,677)

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2011 (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 revenue:				
Reserve funds	\$ 334,352	\$ 334,352	\$ -	\$ (334,352)
Proceeds from the sale of surplus property	-	-	18,670	18,670
Miscellaneous	12,000	12,000	11,875	(125)
Total miscellaneous revenue	\$ 346,352	\$ 346,352	\$ 30,545	\$ (315,807)
Recovered costs:				
Expenditure refunds	\$ 12,000	\$ 12,000	\$ 21,052	\$ 9,052
Revenue from Internal Sources				
Internal Charges	\$ 286,450	\$ 286,450	\$ 286,452	\$ 2
Total Revenue from Local Sources	\$ 3,504,374	\$ 3,504,374	\$ 3,361,988	\$ (142,386)
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 24,000	\$ 24,000	\$ 29,942	\$ 5,942
Recordation tax	6,500	6,500	22	(6,478)
Aid to localities with police departments	106,771	106,771	106,780	9
Personal property tax relief funds	89,615	89,615	89,615	-
Total noncategorical aid	\$ 226,886	\$ 226,886	\$ 226,359	\$ (527)
Categorical aid:				
State Highway Funds	\$ 748,152	\$ 748,152	\$ 775,428	\$ 27,276
VDOT Paving Reimbursement			62,977	62,977
Fire Program Grants	11,375	11,375	11,905	530
Art Grants	5,000	5,000	5,000	-
Miscellaneous Grants	2,000	2,000	5,777	3,777
Litter Control Grant	2,200	2,200	2,553	353
Total Categorical Aid	\$ 768,727	\$ 768,727	\$ 863,640	\$ 94,913
Total revenue from the commonwealth	\$ 995,613	\$ 995,613	\$ 1,089,999	\$ 94,386
Revenue from the Federal Government:				
Categorical aid:				
Law enforcement	\$ -	\$ -	\$ 6,479	\$ 6,479
Emergency Services	-	-	27,079	27,079
Total Categorical Aid	\$ -	\$ -	\$ 33,558	\$ 33,558
Total revenue from the federal government	\$ -	\$ -	\$ 33,558	\$ 33,558
Total General Fund	\$ 4,499,987	\$ 4,499,987	\$ 4,485,545	\$ (14,442)

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2011 (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 the use of money	\$ -	\$ -	\$ 397	\$ 397
Total revenue from local sources	\$ -	\$ -	\$ 397	\$ 397
Total Taylor Park Fund	\$ -	\$ -	\$ 397	\$ 397
Capital Projects Fund:				
General Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 219	\$ 219
Miscellaneous revenue:				
Other miscellaneous	\$ -	\$ -	\$ 7,609	\$ 7,609
Total revenue from local sources	\$ -	\$ -	\$ 7,828	\$ 7,828
Revenue from the Commonwealth:				
Categorical aid:				
Virginia Rail Transportation grant	\$ -	\$ -	\$ 30,385	\$ 30,385
Byrne Memorial Grant	-	-	4,475	4,475
Local Law Enforcement Block Grant	-	-	6,871	6,871
Asset forfeiture	-	-	3,153	3,153
Total categorical aid	\$ -	\$ -	\$ 44,884	\$ 44,884
Total revenue from the Commonwealth	\$ -	\$ -	\$ 44,884	\$ 44,884
Revenue from the federal government:				
Categorical aid:				
ISTEA Grant	\$ -	\$ -	\$ 22,363	\$ 22,363
Total revenue from the federal government	\$ -	\$ -	\$ 22,363	\$ 22,363
Total Town Capital Improvements Fund	\$ -	\$ -	\$ 75,075	\$ 75,075
Total Primary Government	\$ 4,499,987	\$ 4,499,987	\$ 4,561,017	\$ 61,030

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Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2011

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Town Council	\$ 49,626	\$ 49,626	\$ 36,503	\$ 13,123
General and financial administration:				
Town Manager	\$ 231,785	\$ 231,785	\$ 239,530	\$ (7,745)
Professional Services	35,675	35,675	38,021	(2,346)
Treasurer/finance	316,409	316,409	288,275	28,134
Total general and financial administration	\$ 583,869	\$ 583,869	\$ 565,826	\$ 18,043
Total general government administration	\$ 633,495	\$ 633,495	\$ 602,329	\$ 31,166
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 1,138,273	\$ 1,138,273	\$ 1,143,581	\$ (5,308)
Total law enforcement and traffic control	1,138,273	1,138,273	1,143,581	(5,308)
Fire and rescue services:				
Volunteer fire departments	\$ 46,375	\$ 46,375	\$ 45,547	\$ 828
Rescue squad	35,000	35,000	35,000	-
Total fire and rescue services	\$ 81,375	\$ 81,375	\$ 80,547	\$ 828
Total public safety	\$ 1,219,648	\$ 1,219,648	\$ 1,224,128	\$ (4,480)
Public works:				
Streets and general maintenance	\$ 1,431,340	\$ 1,431,340	\$ 1,359,931	\$ 71,409
Refuse collection and disposal	154,449	154,449	138,152	16,297
Municipal building	35,480	35,480	39,798	(4,318)
Depot	16,000	16,000	18,801	(2,801)
TOOT	85,543	85,543	85,545	(2)
Total public works	\$ 1,722,812	\$ 1,722,812	\$ 1,642,227	\$ 80,585
Parks, Recreation and Cultural:				
Parks and Recreation:				
Parks and recreation	\$ 25,500	\$ 25,500	\$ 22,832	\$ 2,668
Cultural Enrichment:				
Museums, societies and foundations	\$ 110,450	\$ -	\$ -	\$ -
Total parks, recreation, and cultural	\$ 135,950	\$ 25,500	\$ 22,832	\$ 2,668

Schedule of Expenditures - Budget and Actual (Continued)

Governmental Funds

For the Year Ended June 30, 2011

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Community development:				
Planning and community development	\$ 169,295	\$ 169,295	\$ 157,175	\$ 12,120
Nondepartmental:				
Insurance	\$ 43,541	\$ 43,541	\$ 40,331	\$ 3,210
Revenue refunds	-	-	16,949	(16,949)
Contractual Services	15,000	15,000	22,670	(7,670)
Bank service charges	18,600	18,600	14,641	3,959
Donations	-	110,450	103,250	7,200
Total Nondepartmental	<u>\$ 77,141</u>	<u>\$ 187,591</u>	<u>\$ 197,841</u>	<u>\$ (10,250)</u>
Capital Expenditures:				
Capital outlay	\$ 373,322	\$ 373,322	\$ 89,812	\$ 283,510
Debt Service:				
Principal	\$ 94,000	\$ 94,000	\$ 94,000	\$ -
Interest	74,324	74,324	74,325	(1)
Total Debt Service	<u>\$ 168,324</u>	<u>\$ 168,324</u>	<u>\$ 168,325</u>	<u>\$ (1)</u>
Total General Fund	<u>\$ 4,499,987</u>	<u>\$ 4,499,987</u>	<u>\$ 4,104,669</u>	<u>\$ 395,318</u>
Capital Projects Fund				
Capital projects expenditures:				
Capital projects expenditures	\$ -	\$ -	\$ 58,300	\$ (58,300)
Total Capital Projects Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,300</u>	<u>\$ (58,300)</u>
Total Primary Government	<u>\$ 4,499,987</u>	<u>\$ 4,499,987</u>	<u>\$ 4,162,969</u>	<u>\$ 337,018</u>

Statistical Section

Contents

Tables

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 - 10

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.

11 - 15

Demographic and Economic Information

These tables offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place and to help make comparisons over time and with other governments.

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Operating Information

These tables contain information about the County's operations and resources to help the reader understand how the County's financial information relate to the services the County provides and the activities it performs.

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Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year. The County implemented GASB Statement 34 in fiscal year 2001; schedules presenting government-wide information include information beginning in that year.

Net Assets by Component
Last Five Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2007	2008	2009	2010	2011
Governmental activities					
Invested in capital assets, net of related debt	\$ 3,525,251	\$ 3,650,697	\$ 3,715,756	\$ 3,604,767	\$ 3,430,421
Restricted	19,745	5,195	2,380	2,387	2,392
Unrestricted	2,163,738	2,567,533	2,654,441	2,883,587	2,992,024
Total governmental activities net assets	<u>\$ 5,708,734</u>	<u>\$ 6,223,425</u>	<u>\$ 6,372,577</u>	<u>\$ 6,490,741</u>	<u>\$ 6,424,837</u>
Business-type activities					
Invested in capital assets, net of related debt	\$ 3,771,954	\$ 3,003,648	\$ 6,946,933	\$ 11,521,538	\$ 15,481,745
Unrestricted	2,978,760	4,442,193	4,368,814	4,029,344	1,535,331
Total business-type activities net assets	<u>\$ 6,750,714</u>	<u>\$ 7,445,841</u>	<u>\$ 11,315,747</u>	<u>\$ 15,550,882</u>	<u>\$ 17,017,076</u>
Primary government					
Invested in capital assets, net of related debt	\$ 7,297,205	\$ 6,654,345	\$ 10,662,689	\$ 15,126,305	\$ 18,912,166
Restricted	19,745	5,195	2,380	2,387	2,392
Unrestricted	5,142,498	7,009,726	7,023,255	6,912,931	4,527,355
Total primary government net assets	<u>\$ 12,459,448</u>	<u>\$ 13,669,266</u>	<u>\$ 17,688,324</u>	<u>\$ 22,041,623</u>	<u>\$ 23,441,913</u>

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

Changes in Net Assets
Last Five Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2007	2008	2009	2010	2011
Expenses					
Governmental activities:					
General government	\$ 430,093	\$ 802,974	\$ 744,923	\$ 822,347	\$ 854,434
Public safety	1,078,322	1,225,816	1,268,803	1,248,816	1,275,689
Public works	1,645,944	1,816,378	1,435,223	1,980,259	1,834,837
Parks, recreation and cultural	122,396	146,267	139,744	132,620	57,976
Community development	144,165	240,018	489,958	176,336	243,143
Non-departmental	78,453	-	-	-	-
Interest on long-term debt	83,875	79,172	81,199	78,545	75,574
Total governmental activities expenses	\$ 3,583,248	\$ 4,310,625	\$ 4,159,850	\$ 4,438,923	\$ 4,341,653
Business-type activities:					
Water	\$ 1,195,174	\$ 1,407,998	\$ 1,478,137	\$ 1,419,246	\$ 1,406,518
Sewer	818,843	863,808	909,880	942,559	1,139,978
Water and sewer capital improvements	-	72,380	165,071	75,958	73,728
Sewer capital improvements	-	22	-	70,461	73,455
Total business-type activities expenses	\$ 2,014,017	\$ 2,344,208	\$ 2,553,088	\$ 2,508,224	\$ 2,693,679
Total primary government expenses	\$ 5,597,265	\$ 6,654,833	\$ 6,712,938	\$ 6,947,147	\$ 7,035,332
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 92,694	\$ 95,049	\$ -	\$ -	\$ 286,452
Public safety	75,746	-	73,006	84,822	122,852
Public works	106,354	417,342	77,053	51,414	37,323
Parks, recreation and cultural	-	1,350	-	-	-
Community development	10,164	7,866	18,385	-	-
Operating grants and contributions	843,683	931,222	960,713	918,172	964,445
Capital grants and contributions	53,823	-	-	-	-
Total governmental activities program revenues	\$ 1,182,464	\$ 1,452,829	\$ 1,129,157	\$ 1,054,408	\$ 1,411,072
Business-type activities:					
Charges for services:					
Water	\$ 1,235,191	\$ 1,242,240	\$ 1,173,876	\$ 1,177,263	\$ 1,287,521
Sewer	989,961	1,243,119	1,068,536	1,054,408	1,286,043
Capital grants and contributions	355,957	497,616	3,829,383	4,330,716	1,436,119
Total business-type activities program revenues	\$ 2,581,109	\$ 2,982,975	\$ 6,071,795	\$ 6,562,387	\$ 4,009,683
Total primary government program revenues	\$ 3,763,573	\$ 4,435,804	\$ 7,200,952	\$ 7,616,795	\$ 5,420,755
Net (expense) / revenue					
Governmental activities	\$ (2,400,784)	\$ (2,857,796)	\$ (3,030,693)	\$ (3,384,515)	\$ (2,930,581)
Business-type activities	567,092	638,767	3,518,707	4,054,163	1,316,004
Total primary government net (expense)/revenue	\$ (1,833,692)	\$ (2,219,029)	\$ 488,014	\$ 669,648	\$ (1,614,577)

Changes in Net Assets
Last Five Fiscal Years (Continued)
(accrual basis of accounting)

	Fiscal Year				
	2007	2008	2009	2010	2011
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Taxes:					
Property taxes	\$ 712,492	\$ 712,551	\$ 659,583	\$ 606,021	\$ 684,066
Local sales and use taxes	168,033	154,417	293,023	294,143	312,332
Restaurant food taxes	921,917	951,511	942,870	908,810	940,940
Consumer utility taxes	341,876	252,661	240,838	231,703	234,575
Communications taxes	72,398	217,301	184,219	186,933	183,677
Other local taxes	299,896	390,711	384,964	424,856	478,793
Unrestricted grants and contributions	39,674	128,178	124,627	234,045	226,359
Unrestricted revenues from use of money and property	73,722	36,662	9,348	11,140	12,449
Miscellaneous	113,926	319,118	339,873	348,806	19,484
Gain (loss) on the disposal of assets	(1,905)	(3,445)	500	9,554	18,670
Transfers	(22,410)	13,541	-	-	-
Total governmental activities	\$ 2,719,619	\$ 3,173,206	\$ 3,179,845	\$ 3,256,011	\$ 3,111,345
Business-type activities:					
Unrestricted revenues from use of money and property	\$ 75,213	\$ 69,901	\$ 6,903	\$ 13,247	\$ 6,914
Miscellaneous	-	-	144,842	155,390	143,276
Transfers	22,410	(13,541)	-	-	-
Total business-type activities	\$ 97,623	\$ 56,360	\$ 151,745	\$ 168,637	\$ 150,190
Total primary government	\$ 2,817,242	\$ 3,229,566	\$ 3,331,590	\$ 3,424,648	\$ 3,261,535
Change in Net Assets					
Governmental activities	\$ 318,835	\$ 315,410	\$ 149,152	\$ (128,504)	\$ 180,764
Business-type activities	664,715	695,127	3,670,452	4,222,800	1,466,194
Total primary government	\$ 983,550	\$ 1,010,537	\$ 3,819,604	\$ 4,094,296	\$ 1,646,958

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

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

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Local Sales and Use Tax</u>	<u>Consumer Utility Tax</u>	<u>Restaurant Food Tax</u>	<u>Communications Tax</u>	<u>Other Local Taxes</u>	<u>Total</u>
2011	\$ 684,066	\$ 312,332	\$ 234,575	\$ 940,940	\$ 183,677	\$ 478,793	\$ 2,834,383
2010	606,021	294,143	231,703	908,810	186,933	424,856	2,652,466
2009	659,583	293,023	240,383	942,870	184,219	384,964	2,705,042
2008	712,551	154,417	252,661	951,511	217,301	390,711	2,679,152
2007	712,492	168,033	341,876	921,917	72,398	299,896	2,516,612

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

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011 (1)</u>
General fund:					
Reserved	\$ 19,745	\$ 5,195	\$ 2,380	\$ 2,387	\$ -
Unreserved	<u>2,189,227</u>	<u>2,551,203</u>	<u>2,499,751</u>	<u>2,539,564</u>	<u>-</u>
Total general fund	<u>\$ 2,208,972</u>	<u>\$ 2,556,398</u>	<u>\$ 2,502,131</u>	<u>\$ 2,541,951</u>	<u>\$ -</u>
General fund:					
Nonspendable:					
Prepaid items	\$ -	\$ -	\$ -	\$ -	\$ 21,387
Restricted for:					
Asset forfeiture	-	-	-	-	2,392
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,899,043</u>
Total fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,922,822</u>

(1) In 2011, the Town implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

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

	2007	2008	2009	2010	2011
Revenues					
General property taxes	\$ 737,166	\$ 662,053	\$ 667,271	\$ 643,848	\$ 701,614
Other local taxes	1,874,874	1,966,601	2,045,914	2,046,445	2,150,317
Permits, privilege fees and regulatory licenses	102,359	7,865	1,776	2,539	4,800
Fines and forfeitures	75,746	84,232	73,006	60,235	100,414
Revenue from use of money and property	79,357	36,662	9,348	11,140	12,449
Charges for services	-	88,479	93,662	73,462	54,961
Miscellaneous	139,439	346,343	12,873	36,982	38,154
Recovered costs	-	5,500	72,657	19,699	21,052
Revenue from internal sources	316,439	326,368	327,500	346,824	286,452
Intergovernmental:					
Commonwealth	926,394	1,059,050	1,080,754	1,146,478	1,134,883
Federal	15,737	350	4,586	5,739	55,921
Total revenues	\$ 4,267,511	\$ 4,583,503	\$ 4,389,347	\$ 4,393,391	\$ 4,561,017
Expenditures					
General government administration	\$ 624,940	\$ 557,693	\$ 557,352	\$ 618,538	\$ 602,329
Public safety	1,038,154	1,139,981	1,196,117	1,206,536	1,224,128
Public works	1,494,059	1,449,599	1,557,462	1,776,665	1,642,227
Parks, recreation and cultural	113,522	122,108	126,553	121,539	22,832
Community development	203,337	240,385	150,412	174,421	157,175
Non-departmental	85,483	86,478	98,361	64,283	197,841
Capital projects	58,855	484,004	443,904	206,711	148,112
Debt service					
Principal	144,600	86,922	89,300	91,650	94,000
Interest and other fiscal charges	84,975	82,448	79,793	77,168	74,325
Total expenditures	\$ 3,847,925	\$ 4,249,618	\$ 4,299,254	\$ 4,337,511	\$ 4,162,969
Excess of revenues over (under) expenditures	\$ 419,586	\$ 333,885	\$ 90,093	\$ 55,880	\$ 398,048
Other financing sources (uses)					
Transfers in	\$ -	\$ 13,541	\$ -	\$ 7	\$ 5
Transfers out	(22,410)	-	-	(7)	(5)
Proceeds from the disposal of assets	2,402	-	-	-	-
Total other financing sources (uses)	\$ (20,008)	\$ 13,541	\$ -	\$ -	\$ -
Net change in fund balances	\$ 399,578	\$ 347,426	\$ 90,093	\$ 55,880	\$ 398,048
Debt service as a percentage of noncapital expenditures	6.61%	4.83%	4.71%	4.33%	4.61%

TOWN OF ORANGE, VIRGINIA

General Governmental Revenues by Source (1) (3)

Last Ten Fiscal Years

(modified accrual basis of accounting)

Fiscal Year		General Property Taxes (2)		Other Local Taxes		Permits, Privilege fees, and Regulatory Licenses		Fines and Forfeitures		Revenue from Use of Money and Property
2011	\$	701,614	\$	2,150,317	\$	4,800	\$	100,414	\$	12,449
2010		643,848		2,046,445		2,539		60,235		11,140
2009		667,271		2,045,914		1,776		73,006		9,348
2008		662,053		1,966,601		7,865		84,232		36,662
2007		737,166		1,874,874		-		75,746		79,357
2006		696,866		1,810,589		-		68,621		45,950
2005		602,239		1,339,183		-		43,677		58,898
2004		719,435		1,176,771		-		54,376		29,392
2003		477,672		1,098,958		-		28,749		22,188
2002		484,783		1,061,610		-		16,625		44,312

- NOTE:
- (1) Includes General and Special Revenue Funds
 - (2) Changed to semiannual billing for taxes in 2004
 - (3) Excludes revenue from internal sources

Table 6

Charges for Services	Recovered Costs	Miscellaneous	Inter- governmental	Total
\$ 54,961	\$ 21,052	\$ 324,606	\$ 1,190,804	\$ 4,561,017
73,462	19,699	383,806	1,152,217	4,393,391
93,662	72,657	340,373	1,085,340	4,389,347
88,479	5,500	346,343	1,059,400	4,257,135
102,359	-	139,439	942,131	3,951,072
131,186	-	87,891	907,244	3,748,347
96,694	-	77,921	809,757	3,028,369
104,280	-	46,321	824,084	2,954,659
98,797	-	53,866	841,279	2,621,509
77,013	-	60,237	787,890	2,532,470

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

Fiscal Year	Real Estate	Personal Property	Public Service	Total Taxable Assessed Value	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
2011	\$ 455,413,450	\$ 33,306,877	\$ 15,242,650	\$ 503,962,977	503,962,977	100.00%
2010	454,299,450	27,498,838	15,305,972	497,104,260	497,104,260	100.00%
2009	453,115,000	43,436,588	14,687,687	511,239,275	511,239,275	100.00%
2008	450,501,300	42,994,779	17,362,511	510,858,590	510,858,590	100.00%
2007	329,528,350	40,643,746	9,619,293	379,791,389	379,791,389	100.00%
2006	203,047,200	38,321,145	9,619,293	250,987,638	250,987,638	100.00%
2005	195,551,200	34,845,990	12,539,644	242,936,834	242,936,834	100.00%
2004	194,080,450	37,730,624	17,291,053	249,102,127	249,102,127	100.00%
2003	192,678,200	34,074,895	13,975,842	240,728,937	240,728,937	100.00%
2002	187,726,638	25,023,952	14,452,114	227,202,704	227,202,704	100.00%

Source: Commissioner of Revenue of Orange County

Property Tax Rates (1)
 Direct and Overlapping Governments
 Last Ten Fiscal Years

Fiscal Years	Direct Rates					Public Service RE/PP	Mobile Home
	Real Estate	Personal Property	Machinery and Tools				
2011	\$ 0.114	\$ 0.830	\$ 0.066	\$.114/.830	\$	0.114
2010	0.114	0.600	0.066		.114/.600		0.114
2009	0.114	0.600	0.066		.114/.600		0.114
2008	0.114	0.600	0.066		.114/.600		0.114
2007	0.114	0.600	0.066		.114/.600		0.114
2006	0.240	0.600	0.066		.240/.600		0.240
2005	0.240	0.600	0.066		.240/.600		0.240
2004	0.180	0.600	0.066		.180/.600		0.180
2003	0.180	0.600	0.066		.180/.600		0.180
2002	0.180	0.600	0.066		.180/.600		0.180

(1) Per \$100 of assessed value

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

Fiscal Year	Population	Assessed Value (In Thousands) (2)	Gross General Obligation Debt (1)	Debt Payable from Enterprise Revenues (1)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value (2)	Net Bonded Debt per Capita
2011	4,123	\$ 503,963	\$ 21,250,958	\$ 19,491,058	\$ 1,759,900	0.35%	\$ 427
2010	4,123	497,104	19,409,151	17,555,251	1,853,900	0.37%	450
2009	4,123	511,239	17,147,274	15,201,724	1,945,550	0.38%	472
2008	4,123	510,859	10,318,266	8,283,416	2,034,850	0.40%	494
2007	4,123	379,791	10,112,855	7,991,055	2,121,800	0.56%	515
2006	4,123	250,988	10,669,513	8,403,113	2,266,400	0.90%	550
2005	4,123	242,937	13,209,504	8,982,504	4,227,000	1.74%	1,025
2004	4,123	249,102	8,608,948	6,488,948	2,120,000	0.85%	514
2003	4,123	240,729	4,907,861	4,787,861	120,000	0.05%	29
2002	4,123	227,203	5,086,259	5,086,259	-	-	-

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

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

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total(1) Tax Levy	Current Tax(1) Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Tax Levy
2010-11	\$ 768,695	\$ 765,066	99.53%	\$ 26,163	\$ 791,229	102.93%	\$ 60,543	7.88%
2009-10	706,081	706,070	100.00%	27,393	733,463	103.88%	86,706	12.28%
2008-09	722,001	717,996	99.45%	38,890	756,886	104.83%	90,594	12.55%
2007-08	741,438	685,776	92.49%	32,662	718,438	96.90%	22,868	3.08%
2006-07	725,271	708,957	97.75%	27,940	736,897	101.60%	38,743	5.34%
2005-06	693,124	683,277	98.58%	9,621	692,898	99.97%	65,233	9.41%
2004-05	595,211	585,614	98.39%	9,420	595,034	99.97%	53,665	9.02%
2003-04	716,483	682,632	95.28%	28,939	711,571	99.31%	35,564	4.96%
2002-03	494,878	469,058	94.78%	5,917	474,975	95.98%	31,096	6.28%
2001-02	496,371	474,243	95.54%	7,880	482,123	97.13%	25,207	5.08%

(1) Includes Commonwealth's PPTRA reimbursement

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

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Compliance

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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 TOWN COUNCIL
TOWN OF ORANGE, VIRGINIA
ORANGE, VIRGINIA

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Orange, Virginia, as of and for the year ended June 30, 2011, which collectively comprise the Town of Orange, Virginia's basic financial statements and have issued our report thereon, dated November 18, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Orange, Virginia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Orange, Virginia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Orange, Virginia's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Orange, Virginia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of the Town of Orange, Virginia in a separate letter dated November 18, 2011.

This report is intended solely for the information and use of management, Town Council, and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia

November 18, 2011