

Town of Orange, Virginia



*Financial Report
Year Ended June 30, 2020*

TOWN OF ORANGE, VIRGINIA

DIRECTORY OF OFFICIALS

COUNCIL

Timothy J. Bosford, Jr.	Martha Roby, Mayor	
Elliott A. Fox, Jr.	Frederick W. “Rick” Sherman, Jr., Vice-Mayor	Donna Waugh-Robinson

OFFICIALS

Greg Woods	Town Manager
Norris John	Director of Finance
Wendy J. Chewning	Town Clerk

TOWN OF ORANGE, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2020

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ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Town of Orange, Virginia, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Town of Orange, Virginia, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding, on pages 4-9, 66 and 67-77 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary and Other Information

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

The supporting schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supporting schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2020, on our consideration of Town of Orange, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Town of Orange, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Orange, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
November 20, 2020

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Management's Discussion and Analysis

As management of Town of Orange (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2020. Please read it in conjunction with the Town's basic financial statements, which follow this section.

Financial Highlights

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$23.0 million (*net position*). Of this amount, \$1.6 million (*unrestricted net position*) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position decreased by \$92,293, of which the governmental activities accounted for a decrease of \$28,281 and business-type activities accounted for a decrease of \$64,012.
- The total ending fund balance for the Town's governmental funds is \$4,092,557, an increase of \$223,370 over the prior year. The ending fund balance of the general fund was \$4,068,030 and is equal to 79% of the Town's fiscal year 2020 general fund expenditures.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$4.0 million, or 87% of general fund expenditures less any capital outlay projects funded with bond proceeds.

Overview of the Financial Statements

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

Government-wide financial statements

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

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

Overview of the Financial Statements: (Continued)

Government-wide financial statements: (Continued)

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government administration, public safety, and public works. The business-type activities are for public utilities. The government-wide financial statements can be found on pages 10 through 12 of this report.

Fund financial statements

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

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

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

The Town maintains three governmental funds, a General Fund, a Special Revenue Fund, and a Capital Projects Fund. The Town adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 13 through 16 of this report.

The Town maintains one type of **Proprietary Fund**. The Town uses *enterprise funds*, which are used to report the same functions presented as *business-type activities* in the government-wide financial statements, to account for its public utilities. The basic proprietary fund financial statements can be found on pages 17 through 19 of this report.

Notes to financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20 through 65 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning budgetary comparisons for the general fund and the schedules related to pension and OPEB funding. Required supplementary information can be found on pages 66 through 77 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$23.0 million at the close of the most recent fiscal year. A large portion of the Town's net position (\$21.3 million, 93% of total) reflects its investment in capital assets (e.g., land, buildings, improvements, infrastructure machinery and equipment, and vehicles) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities (i.e., the Town's investment in capital assets are of a permanent nature as assets acquired are generally not sold or otherwise disposed of during their useful life).

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

Town of Orange, Virginia
Summary of Net Position
As of June 30, 2020 and June 30, 2019

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 4,600,658	\$ 4,303,246	\$ 390,230	\$ 370,614	\$ 4,990,888	\$ 4,673,860
Capital assets	7,059,188	7,435,688	27,236,060	28,110,080	34,295,248	35,545,768
Total assets	\$ 11,659,846	\$ 11,738,934	\$ 27,626,290	\$ 28,480,694	\$ 39,286,136	\$ 40,219,628
Deferred outflows of resources	\$ 624,741	\$ 419,613	\$ 163,085	\$ 103,330	\$ 787,826	\$ 522,943
Long-term liabilities						
outstanding	\$ 3,218,040	\$ 3,036,113	\$ 13,002,404	\$ 13,782,577	\$ 16,220,444	\$ 16,818,690
Other liabilities	40,375	74,376	333,893	285,507	374,268	359,883
Total liabilities	\$ 3,258,415	\$ 3,110,489	\$ 13,336,297	\$ 14,068,084	\$ 16,594,712	\$ 17,178,573
Deferred inflows of resources	\$ 466,443	\$ 460,048	\$ 50,082	\$ 48,932	\$ 516,525	\$ 508,980
Net investment in capital assets	\$ 6,332,218	\$ 6,576,496	\$ 14,953,642	\$ 14,938,357	\$ 21,285,860	\$ 21,514,853
Restricted	73,090	72,721	-	-	73,090	72,721
Unrestricted	2,154,421	1,938,793	(550,646)	(471,349)	1,603,775	1,467,444
Total net position	\$ 8,559,729	\$ 8,588,010	\$ 14,402,996	\$ 14,467,008	\$ 22,962,725	\$ 23,055,018

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

As noted previously, the Town's overall (government and business-type activities) net position decreased by \$92,293 during the current fiscal year. The overall decrease is attributed to an increase in operating expenses in the governmental funds.

Government-wide Financial Analysis: (Continued)

Governmental activities decreased the Town's net position by \$28,281. The following table summarizes the Town's Statement of Activities:

<p style="text-align: center;">Town of Orange, Virginia Changes in Net Position For the Years Ended June 30, 2020 and June 30, 2019</p>						
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 643,067	\$ 619,626	\$ 3,004,691	\$ 2,971,123	\$ 3,647,758	\$ 3,590,749
Operating grants and contributions	1,381,427	1,348,307	-	-	1,381,427	1,348,307
Capital grants and contributions	-	-	79,247	40,564	79,247	40,564
General revenues:						
Property taxes	913,444	872,952	-	-	913,444	872,952
Other taxes	2,218,166	2,273,803	-	-	2,218,166	2,273,803
Unrestricted revenues from the use of money and property	17,896	25,776	3,981	5,789	21,877	31,565
Miscellaneous	81,500	68,910	149,273	245,369	230,773	314,279
Grants and contributions not restricted to specific programs	284,720	289,990	-	-	284,720	289,990
Gain on sale of surplus property	22,910	7,486	-	-	22,910	7,486
Total revenues	\$ 5,563,130	\$ 5,506,850	\$ 3,237,192	\$ 3,262,845	\$ 8,800,322	\$ 8,769,695
Expenses:						
General government administration	\$ 1,086,760	\$ 897,957	\$ -	\$ -	\$ 1,086,760	\$ 897,957
Public safety	1,716,475	1,606,968	-	-	1,716,475	1,606,968
Public works	2,261,178	2,147,876	-	-	2,261,178	2,147,876
Parks, recreation and cultural	64,607	82,372	-	-	64,607	82,372
Community development	360,272	377,524	-	-	360,272	377,524
Interest on long-term obligations	39,421	44,416	-	-	39,421	44,416
Water fund	-	-	1,520,511	1,450,047	1,520,511	1,450,047
Sewer fund	-	-	1,843,391	1,833,551	1,843,391	1,833,551
Total expenses	\$ 5,528,713	\$ 5,157,113	\$ 3,363,902	\$ 3,283,598	\$ 8,892,615	\$ 8,440,711
Increase (decrease) in net position before transfers and capital contributions	\$ 34,417	\$ 349,737	\$ (126,710)	\$ (20,753)	\$ (92,293)	\$ 328,984
Transfers	\$ (62,698)	\$ (106,645)	\$ 62,698	\$ 106,645	\$ -	\$ -
Increase (decrease) in net position	\$ (28,281)	\$ 243,092	\$ (64,012)	\$ 85,892	\$ (92,293)	\$ 328,984
Net position - beginning of year, as restated	\$ 8,588,010	\$ 8,344,918	\$ 14,467,008	\$ 14,381,116	\$ 23,055,018	\$ 22,726,034
Net position - end of year	\$ 8,559,729	\$ 8,588,010	\$ 14,402,996	\$ 14,467,008	\$ 22,962,725	\$ 23,055,018

Business-type activities decreased the Town's net position by \$64,012. Similar to how changes arise in the governmental activities, business-type activities also experience budgetary differences; however, as a public utility function comprises the Town's business-type activities there is more of a direct correlation to the revenues generated relative to the expenses incurred because of service demands.

Financial Analysis of the Town's Funds

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

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

In fiscal year 2020, the General Fund's operating revenues exceeded expenditure by \$288,841.

At the end of the current fiscal year, unassigned fund balance of the General Fund was \$4,035,551. Nonspendable fund balance was \$32,479 and consisted entirely of prepaid items.

Proprietary Fund: The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the water and sewer funds at the end of the year amounted to (\$550,646). The total net position decreased by \$64,012 from the prior year.

General Fund Budgetary Highlights

During the fiscal year, the Town's actual revenue was over budget by \$225,441 with the surplus generated by other local taxes and intergovernmental revenues from the Commonwealth. Expenditures were under budget by \$306,114.

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, 2020, amounts to \$34.3 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and machinery and equipment as well as construction in progress.

Town of Orange, Virginia
Capital Assets (net of depreciation)
As of June 30, 2020 and June 30, 2019

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 1,147,466	\$ 1,147,466	\$ 248,292	\$ 248,292	\$ 1,395,758	\$ 1,395,758
Wastewater treatment plant	-	-	19,813,836	20,297,100	19,813,836	20,297,100
Buildings	1,860,430	1,932,213	1,920,214	2,009,088	3,780,644	3,941,301
Equipment and improvements	383,623	425,075	2,827,348	3,034,050	3,210,971	3,459,125
Road systems	3,449,651	3,763,251	-	-	3,449,651	3,763,251
Water storage facility	-	-	2,426,370	2,521,550	2,426,370	2,521,550
Construction in progress	218,018	167,683	-	-	218,018	167,683
Total	<u>\$ 7,059,188</u>	<u>\$ 7,435,688</u>	<u>\$ 27,236,060</u>	<u>\$ 28,110,080</u>	<u>\$ 34,295,248</u>	<u>\$ 35,545,768</u>

Additional information on the Town's capital assets can be found in Note 4 on pages 34 through 36 of this report.

Capital Asset and Debt Administration: (Continued)

Long-term obligations: At the end of the current fiscal year, the Town had total outstanding obligations of \$16.2 million and details are summarized in the following table:

**Town of Orange, Virginia
Outstanding Obligations
As of June 30, 2020 and June 30, 2019**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Bonds Payable:						
General obligation bonds	\$ 747,300	\$ 888,300	\$ 2,202,700	\$ 2,441,700	\$ 2,950,000	\$ 3,330,000
Revenue bonds	-	-	10,079,719	10,730,023	10,079,719	10,730,023
Notes payable	-	144,896	-	-	-	144,896
Net pension liability	1,705,187	1,321,715	565,568	456,415	2,270,755	1,778,130
Net OPEB liabilities	591,895	524,557	96,786	88,729	688,681	613,286
Compensated absences	173,658	156,645	57,632	65,710	231,290	222,355
Total	<u>\$ 3,218,040</u>	<u>\$ 3,036,113</u>	<u>\$ 13,002,405</u>	<u>\$ 13,782,577</u>	<u>\$ 16,220,445</u>	<u>\$ 16,818,690</u>

Debt associated with governmental activities increased by \$181,927 while debt associated with business-type activities decreased by \$780,172.

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, 2020.

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

Economic Factors and Next Year's Budgets and Rates

Real estate assessments are conducted by the County of Orange every four years. The most recent property assessments were performed effective with tax year 2016. The real estate tax rate effective for calendar year 2020 is \$.157 per \$100 of assessed value and personal property is \$.83 per \$100 of assessed value. The fiscal year 2021 budget was approved by Town Council on June 15, 2020. The general government fiscal year 2021 budget totaled \$5.211 million including \$508,489 for capital outlay.

Requests for Information

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

Basic Financial Statements

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Government-wide Financial Statements

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Statement of Net Position
As of June 30, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 3,607,284	\$ -	\$ 3,607,284
Receivables (net of allowance for uncollectibles):			
Taxes receivable	476,142	-	476,142
Other local receivables	167,936	-	167,936
Accounts receivable	-	436,937	436,937
Internal balances	160,000	(160,000)	-
Due from other governmental units	83,727	4,557	88,284
Prepaid items	32,479	10,936	43,415
Restricted assets:			
Cash and cash equivalents	73,090	97,800	170,890
Capital assets (net of accumulated depreciation):			
Land	1,147,466	248,292	1,395,758
Wastewater treatment plant	-	19,813,836	19,813,836
Buildings	1,860,430	1,920,214	3,780,644
Equipment and improvements	383,623	2,827,348	3,210,971
Water storage facility	-	2,426,370	2,426,370
Road systems	3,449,651	-	3,449,651
Construction in progress	218,018	-	218,018
Total assets	\$ 11,659,846	\$ 27,626,290	\$ 39,286,136
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	\$ 20,330	\$ -	\$ 20,330
Pension related items	475,985	149,457	625,442
OPEB related items	128,426	13,628	142,054
Total deferred outflows of resources	\$ 624,741	\$ 163,085	\$ 787,826
LIABILITIES			
Accounts payable	\$ 19,873	\$ 7,656	\$ 27,529
Accrued liabilities	14,196	-	14,196
Accrued interest payable	6,306	23,624	29,930
Bank overdraft payable	-	204,813	204,813
Deposits held	-	97,800	97,800
Long-term liabilities:			
Due within one year	160,716	897,717	1,058,433
Due in more than one year	3,057,324	12,104,687	15,162,011
Total liabilities	\$ 3,258,415	\$ 13,336,297	\$ 16,594,712
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue-property taxes	\$ 361,386	\$ -	\$ 361,386
Pension related items	51,834	43,013	94,847
OPEB related items	53,223	7,069	60,292
Total deferred inflows of resources	\$ 466,443	\$ 50,082	\$ 516,525
NET POSITION			
Net investment in capital assets	\$ 6,332,218	\$ 14,953,642	\$ 21,285,860
Restricted for:			
Taylor park fund	73,090	-	73,090
Unrestricted	2,154,421	(550,646)	1,603,775
Total net position	\$ 8,559,729	\$ 14,402,996	\$ 22,962,725

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

TOWN OF ORANGE, VIRGINIA

Statement of Activities
For the Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 1,086,760	\$ 339,677	\$ -	\$ -
Public safety	1,716,475	112,562	131,779	-
Public works	2,261,178	181,578	1,245,148	-
Parks, recreation, and cultural	64,607	-	4,500	-
Community development	360,272	9,250	-	-
Interest on long-term debt	39,421	-	-	-
Total governmental activities	\$ 5,528,713	\$ 643,067	\$ 1,381,427	\$ -
Business-type activities:				
Water	\$ 1,520,511	\$ 1,280,293	\$ -	\$ 6,000
Sewer	1,843,391	1,724,398	-	73,247
Total business-type activities	\$ 3,363,902	\$ 3,004,691	\$ -	\$ 79,247
Total primary government	\$ 8,892,615	\$ 3,647,758	\$ 1,381,427	\$ 79,247
General revenues:				
General property taxes				
Other local taxes:				
Local sales and use tax				
Consumers' utility tax				
Bank franchise tax				
Restaurant food tax				
Transient/occupancy tax				
Tobacco tax				
Other local taxes				
Unrestricted revenues from use of money and property				
Miscellaneous				
Grants and contributions not restricted to specific programs				
Gain (loss) on disposal of surplus property				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning				
Net position - ending				

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (747,083)	\$ -	\$ (747,083)
(1,472,134)	-	(1,472,134)
(834,452)	-	(834,452)
(60,107)	-	(60,107)
(351,022)	-	(351,022)
(39,421)	-	(39,421)
<u>\$ (3,504,219)</u>	<u>\$ -</u>	<u>\$ (3,504,219)</u>
\$ -	\$ (234,218)	\$ (234,218)
-	(45,746)	(45,746)
<u>\$ -</u>	<u>\$ (279,964)</u>	<u>\$ (279,964)</u>
<u>\$ (3,504,219)</u>	<u>\$ (279,964)</u>	<u>\$ (3,784,183)</u>
\$ 913,444	\$ -	\$ 913,444
252,390	-	252,390
237,885	-	237,885
167,894	-	167,894
1,249,067	-	1,249,067
124,381	-	124,381
81,120	-	81,120
105,429	-	105,429
17,896	3,981	21,877
81,500	149,273	230,773
284,720	-	284,720
22,910	-	22,910
(62,698)	62,698	-
<u>\$ 3,475,938</u>	<u>\$ 215,952</u>	<u>\$ 3,691,890</u>
\$ (28,281)	\$ (64,012)	\$ (92,293)
<u>8,588,010</u>	<u>14,467,008</u>	<u>23,055,018</u>
<u>\$ 8,559,729</u>	<u>\$ 14,402,996</u>	<u>\$ 22,962,725</u>

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Fund Financial Statements

Balance Sheet
Governmental Funds
As of June 30, 2020

	General	Taylor Park	Capital Projects	Total
ASSETS				
Cash and cash equivalents	\$ 3,655,847	\$ -	\$ -	\$ 3,655,847
Receivables (net of allowance for uncollectibles):				
Taxes receivable	476,142	-	-	476,142
Other local revenues	167,936	-	-	167,936
Due from other funds	160,000	-	-	160,000
Due from other governmental units	83,727	-	-	83,727
Prepaid items	32,479	-	-	32,479
Restricted assets:				
Cash and cash equivalents	-	73,090	-	73,090
Total assets	<u>\$ 4,576,131</u>	<u>\$ 73,090</u>	<u>\$ -</u>	<u>\$ 4,649,221</u>
LIABILITIES				
Accounts payable	\$ 19,873	\$ -	\$ -	\$ 19,873
Accrued liabilities	14,196	-	-	14,196
Bank overdraft payable	-	-	48,563	48,563
Total liabilities	<u>\$ 34,069</u>	<u>\$ -</u>	<u>\$ 48,563</u>	<u>\$ 82,632</u>
DEFERRED INFLOWS				
Unavailable revenue - property taxes	<u>\$ 474,032</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 474,032</u>
FUND BALANCES				
Nonspendable:				
Prepaid items	\$ 32,479	\$ -	\$ -	\$ 32,479
Restricted:				
Taylor Park fund	-	73,090	-	73,090
Unassigned	<u>4,035,551</u>	<u>-</u>	<u>(48,563)</u>	<u>3,986,988</u>
Total fund balances	<u>\$ 4,068,030</u>	<u>\$ 73,090</u>	<u>\$ (48,563)</u>	<u>\$ 4,092,557</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 4,576,131</u>	<u>\$ 73,090</u>	<u>\$ -</u>	<u>\$ 4,649,221</u>

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

Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
As of June 30, 2020

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds		\$	4,092,557
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			7,059,188
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.			
Unavailable revenue related to property taxes			112,646
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.			
Deferred charge on refunding	\$	20,330	
Pension related items		475,985	
OPEB related items		128,426	624,741
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.			
General obligations bonds	\$	(747,300)	
Accrued interest payable on long-term debt		(6,306)	
Net pension liability		(1,705,187)	
Net OPEB liabilities		(591,895)	
Compensated absences		(173,658)	(3,224,346)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.			
Pension related items	\$	(51,834)	
OPEB related items		(53,223)	(105,057)
Net position of governmental activities		\$	<u>8,559,729</u>

The notes to 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, 2020

	General	Taylor Park	Capital Projects	Total
REVENUES				
General property taxes	\$ 839,730	\$ -	\$ -	\$ 839,730
Other local taxes	2,218,166	-	-	2,218,166
Permits, privilege fees, and regulatory licenses	9,250	-	-	9,250
Fines and forfeitures	112,562	-	-	112,562
Revenue from the use of money and property	17,527	369	-	17,896
Charges for services	181,578	-	-	181,578
Miscellaneous	72,939	-	31,471	104,410
Recovered costs	12,301	-	-	12,301
Revenue from internal sources	339,677	-	-	339,677
Intergovernmental:				
Commonwealth	1,621,585	-	4,500	1,626,085
Federal	40,062	-	-	40,062
Total revenues	\$ 5,465,377	\$ 369	\$ 35,971	\$ 5,501,717
EXPENDITURES				
Current:				
General government administration	\$ 718,885	\$ -	\$ -	\$ 718,885
Public safety	1,559,848	-	-	1,559,848
Public works	1,610,575	-	-	1,610,575
Parks, recreation, and cultural	30,889	-	-	30,889
Community development	119,082	-	-	119,082
Nondepartmental	292,849	-	-	292,849
Capital outlay	541,747	-	39,113	580,860
Debt service:				
Principal retirement	285,896	-	-	285,896
Interest and other fiscal charges	16,765	-	-	16,765
Total expenditures	\$ 5,176,536	\$ -	\$ 39,113	\$ 5,215,649
Excess (deficiency) of revenues over (under) expenditures	\$ 288,841	\$ 369	\$ (3,142)	\$ 286,068
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (62,698)	\$ -	\$ -	\$ (62,698)
Total other financing sources (uses)	\$ (62,698)	\$ -	\$ -	\$ (62,698)
Net change in fund balances	\$ 226,143	\$ 369	\$ (3,142)	\$ 223,370
Fund balances - beginning	3,841,887	72,721	(45,421)	3,869,187
Fund balances - ending	\$ 4,068,030	\$ 73,090	\$ (48,563)	\$ 4,092,557

The notes to 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, 2020

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

Net change in fund balances - total governmental funds	\$	223,370
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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	\$	210,262	
Depreciation expense		<u>(586,762)</u>	(376,500)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	73,716
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. Details supporting this adjustment are as follows:

Principal retired on general obligation bonds	\$	141,000	
Principal retired on notes payable		<u>144,896</u>	285,896

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in accrued interest payable	\$	1,008	
Change in compensated absences		(17,013)	
Change in pension related items		(186,801)	
Change in OPEB related items		(23,179)	
Amortization of deferred charge on refunding		<u>(8,778)</u>	(234,763)

Change in net position of governmental activities	\$	<u>(28,281)</u>
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The notes to financial statements are an integral part of this statement.

Statement of Net Position
 Proprietary Funds
 As of June 30, 2020

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 693,313	\$ -	\$ 693,313
Accounts receivable (net of allowances for uncollectibles)	196,891	240,046	436,937
Restricted assets:			
Cash and cash equivalents	97,800	-	97,800
Due from other governmental units	-	4,557	4,557
Prepaid items	3,327	7,609	10,936
Total current assets	\$ 991,331	\$ 252,212	\$ 1,243,543
Noncurrent assets:			
Capital assets (net of accumulated depreciation):			
Land	\$ 160,251	\$ 88,041	\$ 248,292
Waste water treatment plant	-	19,813,836	19,813,836
Buildings	478,911	1,441,303	1,920,214
Equipment and improvements	1,769,916	1,057,432	2,827,348
Water storage facility	2,426,370	-	2,426,370
Total capital assets, net	\$ 4,835,448	\$ 22,400,612	\$ 27,236,060
Total assets	\$ 5,826,779	\$ 22,652,824	\$ 28,479,603
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 72,642	\$ 76,815	\$ 149,457
OPEB related items	6,843	6,785	13,628
Total deferred outflows of resources	\$ 79,485	\$ 83,600	\$ 163,085
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	\$ 3,982	\$ 3,674	\$ 7,656
Accrued interest payable	18,123	5,501	23,624
Bank overdraft payable	-	898,126	898,126
Deposits held	97,800	-	97,800
Compensated absences, current portion	2,927	2,836	5,763
Bonds payable, current portion	116,600	775,354	891,954
Total current liabilities	\$ 239,432	\$ 1,685,491	\$ 1,924,923
Noncurrent liabilities:			
Due to other funds	\$ 160,000	\$ -	\$ 160,000
Net pension liability	274,759	290,809	565,568
Net OPEB liabilities	50,185	46,601	96,786
Compensated absences, net of current portion	26,343	25,526	51,869
Bonds payable, net of current portion	1,434,200	9,956,264	11,390,464
Total noncurrent liabilities	\$ 1,945,487	\$ 10,319,200	\$ 12,264,687
Total liabilities	\$ 2,184,919	\$ 12,004,691	\$ 14,189,610
DEFERRED INFLOWS OF RESOURCES			
Pension related items	\$ 8,206	\$ 34,807	\$ 43,013
OPEB related items	3,522	3,547	7,069
Total deferred inflows of resources	\$ 11,728	\$ 38,354	\$ 50,082
NET POSITION			
Net investment in capital assets	\$ 3,284,648	\$ 11,668,994	\$ 14,953,642
Unrestricted	424,969	(975,615)	(550,646)
Total net position	\$ 3,709,617	\$ 10,693,379	\$ 14,402,996

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

Statement of Revenues, Expenses, and Changes in Net Position
 Proprietary Funds
 For the Year Ended June 30, 2020

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
OPERATING REVENUES			
Charges for services:			
Charges for services and connection fees	\$ 1,280,293	\$ 1,724,398	\$ 3,004,691
Miscellaneous	42,096	107,177	149,273
Total operating revenues	\$ 1,322,389	\$ 1,831,575	\$ 3,153,964
OPERATING EXPENSES			
Personnel services	\$ 320,397	\$ 349,705	\$ 670,102
Fringe benefits	201,385	161,055	362,440
Contractual services/maintenance	68,555	61,886	130,441
Materials and supplies	309,625	299,023	608,648
Utilities	129,998	125,549	255,547
Internal services	184,512	155,165	339,677
Other charges	99	1,544	1,643
Depreciation	260,999	675,719	936,718
Total operating expenses	\$ 1,475,570	\$ 1,829,646	\$ 3,305,216
Operating income (loss)	\$ (153,181)	\$ 1,929	\$ (151,252)
NONOPERATING REVENUES (EXPENSES)			
Interest earned	\$ 3,981	\$ -	\$ 3,981
Interest and fiscal charges	(44,941)	(13,745)	(58,686)
Total nonoperating revenues (expenses)	\$ (40,960)	\$ (13,745)	\$ (54,705)
Income (loss) before capital contributions, grants, and transfers	\$ (194,141)	\$ (11,816)	\$ (205,957)
Capital contributions and grants	\$ 6,000	\$ 73,247	\$ 79,247
Transfers in (out)	-	62,698	62,698
Change in net position	\$ (188,141)	\$ 124,129	\$ (64,012)
Net position - beginning	3,897,758	10,569,250	14,467,008
Net position - ending	\$ 3,709,617	\$ 10,693,379	\$ 14,402,996

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

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2020

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,321,534	\$ 1,833,459	\$ 3,154,993
Payments to suppliers	(699,888)	(630,670)	(1,330,558)
Payments to and on behalf of employees	(493,909)	(488,106)	(982,015)
Net cash provided by (used for) operating activities	\$ 127,737	\$ 714,683	\$ 842,420
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	\$ -	\$ (62,698)	\$ (62,698)
Capital and debt related transfers	-	62,698	62,698
Capital contributions	6,000	73,247	79,247
Principal payments on bonds	(116,000)	(773,304)	(889,304)
Interest payments	(46,170)	(14,626)	(60,796)
Net cash provided by (used for) capital and related financing activities	\$ (156,170)	\$ (714,683)	\$ (870,853)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	\$ 3,981	\$ -	\$ 3,981
Net increase (decrease) in cash and cash equivalents	\$ (24,452)	\$ -	\$ (24,452)
Cash and cash equivalents - beginning (including restricted)	815,565	-	815,565
Cash and cash equivalents - ending (including restricted)	\$ 791,113	\$ -	\$ 791,113
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (153,181)	\$ 1,929	\$ (151,252)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation expense	260,999	675,719	936,718
Changes in operating assets, deferred outflows of resources, liabilities, and deferred inflows of resources:			
(Increase) decrease in receivables	(10,120)	1,884	(8,236)
(Increase) decrease in due from other governmental units	-	(1,189)	(1,189)
(Increase) decrease in prepaid items	(631)	(295)	(926)
(Increase) decrease in deferred outflows of resources	(30,112)	(29,643)	(59,755)
Increase (decrease) in accounts payable and accrued expenses	(6,468)	(4,537)	(11,005)
Increase (decrease) in bank overdraft payable	-	18,518	18,518
Increase (decrease) in deposits held	9,265	-	9,265
Increase (decrease) in net pension liability	63,811	45,342	109,153
Increase (decrease) in net OPEB liabilities	4,581	3,476	8,057
Increase (decrease) in compensated absences	(6,723)	(1,355)	(8,078)
Increase (decrease) in deferred inflows of resources	(3,684)	4,834	1,150
Net cash provided by (used for) operating activities	\$ 127,737	\$ 714,683	\$ 842,420

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

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- a. General Fund

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

- b. Capital Projects Fund

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

- c. Special Revenue Funds

Special revenue funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Currently, the Taylor Park Fund is accounted for as a special revenue fund. The Taylor Park Fund is considered a major fund.

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

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

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

Enterprise Funds

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

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

D. Budgets and Budgetary Accounting

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

1. Prior to March 30, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund level. The appropriation for each fund can be revised only by the Town Council.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

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

D. Budgets and Budgetary Accounting: (Continued)

6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) except that enterprise fund budgets are adopted on the modified accrual basis of accounting.
7. Appropriations lapse on June 30 for all Town units.
8. All budgetary data presented in the accompanying financial statements is as amended and approved by Town Council.
9. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to commit that portion of the applicable appropriations, is not part of the Town's accounting system.

Excess expenditures over appropriations:

Fund	Excess of Expenditures Over Appropriations
General	
Parks, Recreation, and Cultural	\$ 889
Nondepartmental	90,128
Capital Outlay	278,003
Debt Service	126,628
Total	\$ <u>495,648</u>

E. Receivables and Payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. As of June 30, 2020, the allowances amounted to \$8,969 for property taxes, \$81,431 for water charges and \$116,797 for sewer charges.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

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

F. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. For purposes of the statement of cash flows, the government's proprietary funds consider their demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

G. Restricted Assets

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

H. Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

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

I. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has multiple items that qualify for reporting in this category. One item is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other two items are comprised of certain items related to the measurement of the net pension and OPEB liabilities and contributions to the pension and OPEB plans made during the current year and subsequent to the measurement dates. For more detailed information on these items, reference the related notes.

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

J. Compensated Absences

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

K. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental and business-type activities. Bonds payable are reported net of the applicable bond premium or discount.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

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

K. Long-term Obligations: (Continued)

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

L. Property Taxes

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

M. Use of Estimates

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

N. Prepaid Items

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

O. Net Position

The difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

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

Q. Net Position Flow Assumption

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

R. Investments

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

S. Fund Balance

The Town reports fund balance in accordance with GASB standards. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

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

S. Fund Balance: (Continued)

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

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

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

T. Pensions

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

U. Other Postemployment Benefits (OPEB)

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

V. Upcoming Pronouncements

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

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

V. Upcoming Pronouncements: (Continued)

Statement No. 87, *Leases*, increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

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

NOTE 2—DEPOSITS AND INVESTMENTS:

Deposits:

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

Investments:

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper that has received at least two of the following ratings: P-1 by Moody's Investors Service, Inc.; A-1 by Standard and Poor's; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

Custodial Credit Risk (Investments):

The Town does not have an investment policy.

The Town's investments at June 30, 2020 were held by the Town or in the Town's name by the Town's custodial banks.

Town's Rated Debt Investments			
Rated Debt Investments Value	Fair Quality Ratings		
	AAAm	AA+f/S1	
Local Government Investment Pool	\$ 9,105	\$ -	
Virginia Investment Pool	369,988	161,890	
Total	<u>\$ 379,093</u>	<u>\$ 161,890</u>	

Interest Rate Risk:

The Town reports investments and the maturities as follows:

Investment Type	Investment Maturity*		
	Value	Less than 1	1-5 Years
Local Government Investment Pool	\$ 9,105	\$ 9,105	\$ -
Virginia Investment Pool	531,878	369,988	161,890
Total investments	<u>\$ 540,983</u>	<u>\$ 379,093</u>	<u>\$ 161,890</u>

* Weighted average maturity in years.

External Investment Pool:

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

Redemption Restrictions:

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

Fair Value Measurements:

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

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 3—DUE FROM OTHER GOVERNMENTS:

Commonwealth of Virginia:		
Communications tax	\$	24,027
Auto rental tax		1,651
Highway construction		
Nutrient exchange		9,114
Federal:		
Highway construction		7,640
County of Orange:		
Local Sales Tax		45,852
Total	\$	<u>88,284</u>

NOTE 4—CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2020 was as follows:

	Balance July 1, 2019	Additions	Retirements	Balance June 30, 2020
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,147,466	\$ -	\$ -	\$ 1,147,466
Construction in progress	167,683	50,335	-	218,018
Total capital assets, not being depreciated	\$ 1,315,149	\$ 50,335	\$ -	\$ 1,365,484
Capital assets, being depreciated:				
Buildings	\$ 3,125,805	\$ -	\$ -	\$ 3,125,805
Equipment and improvements	3,391,456	159,927	-	3,551,383
Road systems	6,271,994	-	-	6,271,994
Total capital assets being depreciated	\$ 12,789,255	\$ 159,927	\$ -	\$ 12,949,182
Less accumulated depreciation for:				
Buildings	\$ (1,193,592)	\$ (71,783)	\$ -	\$ (1,265,375)
Equipment and improvements	(2,966,381)	(201,379)	-	(3,167,760)
Road systems	(2,508,743)	(313,600)	-	(2,822,343)
Total accumulated depreciation	\$ (6,668,716)	\$ (586,762)	\$ -	\$ (7,255,478)
Total capital assets, being depreciated, net	\$ 6,120,539	\$ (426,835)	\$ -	\$ 5,693,704
Governmental activities capital assets, net	\$ 7,435,688	\$ (376,500)	\$ -	\$ 7,059,188

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 4—CAPITAL ASSETS: (CONTINUED)

	Balance July 1, 2019	Additions	Retirements	Balance June 30, 2020
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 248,292	\$ -	\$ -	\$ 248,292
Total capital assets, not being depreciated	\$ 248,292	\$ -	\$ -	\$ 248,292
Capital assets, being depreciated:				
Buildings	\$ 4,431,353	\$ -	\$ -	\$ 4,431,353
Wastewater treatment plant	24,163,214	-	-	24,163,214
Equipment and improvements	11,000,890	62,698	-	11,063,588
Water storage facility	3,807,196	-	-	3,807,196
Total capital assets being depreciated	\$ 43,402,653	\$ 62,698	\$ -	\$ 43,465,351
Less accumulated depreciation for:				
Buildings	\$ (2,422,265)	\$ (88,874)	\$ -	\$ (2,511,139)
Wastewater treatment plant	(3,866,114)	(483,264)	-	(4,349,378)
Equipment and improvements	(7,966,840)	(269,400)	-	(8,236,240)
Water storage facility	(1,285,646)	(95,180)	-	(1,380,826)
Total accumulated depreciation	\$ (15,540,865)	\$ (936,718)	\$ -	\$ (16,477,583)
Total capital assets, being depreciated, net	\$ 27,861,788	\$ (874,020)	\$ -	\$ 26,987,768
Business-type activities capital assets, net	\$ 28,110,080	\$ (874,020)	\$ -	\$ 27,236,060

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 4—CAPITAL ASSETS: (CONTINUED)

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

Governmental activities:

General government administration	\$ 168,346
Public safety	48,696
Public works	366,426
Parks, recreation and cultural	<u>3,294</u>

Total depreciation expense - governmental activities	\$ <u><u>586,762</u></u>
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Business-type activities:

Water	\$ 260,999
Sewer	<u>675,719</u>

Total depreciation expense - business-type activities	\$ <u><u>936,718</u></u>
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NOTE 5—LONG-TERM OBLIGATIONS:

Governmental Activities:

Changes in Long-term Obligations:

The following is a summary of long-term obligation transactions of the Town for the year ended June 30, 2020:

	<u>Balance July 1, 2019</u>	<u>Issuances/ Increases</u>	<u>Retirements/ Decreases</u>	<u>Balance June 30, 2020</u>
Net Pension Liability (Note 7)	\$ 1,321,715	\$ 1,082,179	\$ 698,707	\$ 1,705,187
Net OPEB Liabilities (Note 11)	524,557	193,860	126,522	591,895
Compensated Absences (Note 6)	156,645	17,013	-	173,658
Direct borrowings and direct placements:				
General Obligation Bonds	888,300	-	141,000	747,300
Notes Payable	<u>144,896</u>	<u>-</u>	<u>144,896</u>	<u>-</u>
Total	\$ <u><u>3,036,113</u></u>	\$ <u><u>1,293,052</u></u>	\$ <u><u>1,111,125</u></u>	\$ <u><u>3,218,040</u></u>

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 5—LONG-TERM OBLIGATIONS: (CONTINUED)

Governmental Activities: (Continued)

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

Year Ending June 30,	Direct Borrowings and Direct Placements	
	Bonds	
	Principal	Interest
2021	\$ 143,350	\$ 13,850
2022	148,050	10,863
2023	150,400	4,984
2024	150,400	4,721
2025	155,100	1,590
Total	<u>\$ 747,300</u>	<u>\$ 36,008</u>

Details of Long-term Obligations:

	Total Amount	Amount Due Within One Year
<u>Direct Borrowings and Direct Placements:</u>		
\$1,445,250 General obligation bonds issued July 22, 2013 payable in annual principal payments beginning August 1, 2014 ranging from \$18,800 to \$155,100 and semi-annual interest payments at 2.05%. Final payment due August 1, 2024.	\$ 747,300	\$ 143,350
Net pension liability (Note 7)	1,705,187	-
Compensated absences (Note 6)	173,658	17,366
Net OPEB liabilities (Note 11)	591,895	-
Total governmental activities long-term obligations	<u>\$ 3,218,040</u>	<u>\$ 160,716</u>

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 5—LONG-TERM OBLIGATIONS: (CONTINUED)

Business-type Activities:

Changes in Long-term Obligations:

	Balance July 1, 2019	Issuances/ Increases	Retirements/ Decreases	Balance June 30, 2020
Net Pension Liability (Note 7)	\$ 456,415	\$ 352,726	\$ 243,573	\$ 565,568
Net OPEB Liabilities (Note 11)	88,729	21,172	13,115	96,786
Compensated Absences (Note 6)	65,710	-	8,078	57,632
Direct borrowings and direct placements:				
General Obligation Bonds	2,441,700	-	239,000	2,202,700
Revenue Bonds	10,730,023	-	650,305	10,079,718
Total	<u>\$ 13,782,577</u>	<u>\$ 373,898</u>	<u>\$ 1,154,071</u>	<u>\$ 13,002,404</u>

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

Year Ending June 30,	Direct Borrowings and Direct Placements	
	Bonds	
	Principal	Interest
2021	\$ 891,954	\$ 55,148
2022	907,254	49,347
2023	909,904	40,062
2024	909,904	37,110
2025	915,204	30,924
2026-2030	3,766,522	102,291
2031-2035	3,656,522	24,338
2036	325,154	-
Total	<u>\$ 12,282,418</u>	<u>\$ 339,220</u>

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 5—LONG TERM OBLIGATIONS: (CONTINUED)

Business-type Activities: (Continued)

Details of Long-term Obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>Direct Borrowings and Direct Placements:</u>		
<u>Bonds Payable:</u>		
\$16,177,744 Revenue bonds, Series 2008 issued May 1, 2008 payable in semi-annual principal payments of \$325,152 beginning May 1, 2011. Interest at 0.0%. Final payment due December 2036.	\$ 10,079,718	\$ 650,304
\$1,629,750 General obligation bonds issued July 22, 2013 payable in annual principal payments beginning August 1, 2014 ranging from \$21,200 to \$174,900 and semi-annual interest payments at 2.05%. Final payment due August 1, 2024.	842,700	125,050
\$1,845,000 General obligation bonds issued July 22, 2013 payable in semi-annual principal payments beginning February 1, 2014 ranging from \$35,000 to \$60,000 and semi-annual interest payments at 2.95%. Final payment due August 1, 2033.	<u>1,360,000</u>	<u>116,600</u>
Total bonds payable	<u>\$ 12,282,418</u>	<u>\$ 891,954</u>
Net pension liability (Note 7)	\$ 565,568	\$ -
Compensated absences (Note 6)	57,632	5,763
Net OPEB liabilities (Note 11)	<u>96,786</u>	<u>-</u>
Total business-type long-term obligations	<u><u>\$ 13,002,404</u></u>	<u><u>\$ 897,717</u></u>

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 6—COMPENSATED ABSENCES:

In accordance with GASB standards, the Town has accrued liabilities arising from compensated absences.

Town employees earn annual leave at various rates. No benefits or pay is received for unused sick leave upon termination. Accumulated vacation and banked holidays are paid upon termination up to a maximum of 240 hours. The Town's general fund has outstanding accrued leave pay totaling \$173,658 and the Enterprise Funds have outstanding accrued leave pay of \$57,632.

NOTE 7—PENSION PLAN:

Plan Description

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

Benefit Structures

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

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

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

Benefit Structures: (Continued)

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

Average Final Compensation and Service Retirement Multiplier

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

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

Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of service credit are eligible for an annual COLA beginning July 1 after one full calendar year from the retirement date. Retirees with a reduced benefit and who have less than 20 years of service credit are eligible for an annual COLA beginning on July 1 after one calendar year following the unreduced retirement eligibility date. Under Plan 1, the COLA cannot exceed 5.00%. Under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia 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, 2020 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

Employees Covered by Benefit Terms

As of the June 30, 2018 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	40
Inactive members:	
Vested inactive members	19
Non-vested inactive members	22
Inactive members active elsewhere in VRS	<u>48</u>
Total inactive members	89
Active members	<u>47</u>
Total covered employees	<u><u>176</u></u>

Contributions

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

The Town's contractually required employer contribution rate for the year ended June 30, 2020 was 13.68% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$308,344 and \$310,630 for the years ended June 30, 2020 and June 30, 2019, respectively.

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. The Town's net pension liabilities were measured as of June 30, 2019. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

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

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees: (Continued)

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

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

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non Largest 10) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	<u>100.00%</u>		<u>5.13%</u>
		Inflation	<u>2.50%</u>
		Expected arithmetic nominal return*	<u>7.63%</u>

* The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Town was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2019, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. From July 1, 2019 on, participating employers and school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2018	\$ 9,288,448	\$ 7,510,318	\$ 1,778,130
Changes for the year:			
Service cost	\$ 299,300	\$ -	\$ 299,300
Interest	637,545	-	637,545
Changes in assumptions	329,802	-	329,802
Differences between expected and actual experience	151,296	-	151,296
Contributions - employer	-	308,187	(308,187)
Contributions - employee	-	112,670	(112,670)
Net investment income	-	509,593	(509,593)
Benefit payments, including refunds of employee contributions	(361,313)	(361,313)	-
Administrative expenses	-	(4,811)	4,811
Other changes	-	(321)	321
Net changes	\$ 1,056,630	\$ 564,005	\$ 492,625
Balances at June 30, 2019	\$ 10,345,078	\$ 8,074,323	\$ 2,270,755

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

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

The following presents the net pension liability of the Town using the discount rate of 6.75%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Town's Net Pension Liability	\$ 3,765,514	\$ 2,270,755	\$ 1,087,956

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

For the year ended June 30, 2020, the Town recognized pension expense of \$549,190. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 96,992	\$ -
Changes in assumptions	194,081	-
Changes in proportionate share	26,025	26,025
Net difference between projected and actual earnings on pension plan investments	-	68,822
Employer contributions subsequent to the measurement date	308,344	-
Total	\$ 625,442	\$ 94,847

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

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

\$308,344 reported as deferred outflows of resources related to pensions resulting from the Town's contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	
2021	\$ 202,529
2022	18,154
2023	(2,038)
2024	3,605

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

NOTE 8—DEFERRED/UNAVAILABLE REVENUE:

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

Unavailable Property Tax Revenue - Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$464,831 (including 2nd ½ tax billings of \$352,186 not due until December 5) at June 30, 2020.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2020 but paid in advance by the taxpayers totaled \$9,200 at June 30, 2020.

NOTE 9—INTERFUND LOANS AND TRANSFERS:

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

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 10—RISK MANAGEMENT:

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

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

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Health Insurance - Pay-As-You-Go:

Plan Description

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

Benefits Provided

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

Plan Membership

At July 1, 2020 (the valuation date) the following employees were covered by the benefit terms:

Total active employees with coverage	<u>45</u>
Total	<u><u>45</u></u>

Contributions

The Town does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the Town. The amount paid by the Town for OPEB as the benefits came due during the year ended June 30, 2020 was \$0.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

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

Health Insurance - Pay-As-You-Go: (Continued)

Total OPEB Liability

The Town's total OPEB liability was measured as of June 30, 2020. The total OPEB liability was determined by an actuarial valuation as of July 1, 2020.

Actuarial Assumptions

The total OPEB liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50% per year as of June 30, 2020
Salary Increases	The salary increase rate starts at 5.35% salary increase (4.75% for law enforcement) for one year of service and gradually declines to 3.50% salary increase for twenty or more years of service.
Discount Rate	2.45% per year as of June 30, 2020

Mortality rates for were based on the PUB-2010 headcounts with generational mortality improvements using scale MP-2019.

The date of the most recent actuarial experience study on which significant assumptions were based is October 25, 2019.

Discount Rate

The discount rate used to determine the liabilities under GASB 75 is based on an index rate for 20-year tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. This rate was 2.45% as of June 30, 2020.

Changes in Total OPEB Liability

		<u>Total OPEB Liability</u>
Balances at June 30, 2019	\$	160,287
Changes for the year:		
Service cost		11,874
Interest		5,017
Difference between expected and actual experience		14,074
Changes in assumptions		(4,280)
Net changes	\$	<u>26,685</u>
Balances at June 30, 2020	\$	<u><u>186,972</u></u>

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

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

Health Insurance - Pay-As-You-Go: (Continued)

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

The following amounts present the total OPEB liability of the Town, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower 1.45% or one percentage point higher 3.45% than the current discount rate:

Rate		
1% Decrease (1.45%)	Current Discount Rate (2.45%)	1% Increase (3.45%)
\$ 201,827	\$ 186,972	\$ 172,408

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

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

Rates		
1% Decrease (3.00%)	Current Trend Rate (4.00%)	1% Increase (5.00%)
\$ 162,223	\$ 186,972	\$ 216,080

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

For the year ended June 30, 2020, the Town recognized OPEB expense in the amount of \$17,826. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 12,063	\$ -
Changes in assumptions	5,285	10,396
Total	<u>\$ 17,348</u>	<u>\$ 10,396</u>

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

Health Insurance - Pay-As-You-Go: (Continued)

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

<u>Year Ended June 30</u>	
2021	\$ 935
2022	935
2023	935
2024	935
2025	937
Thereafter	2,275

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

Group Life Insurance (GLI) Plan

Plan Description

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

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

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

Eligible Employees

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

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

Group Life Insurance (GLI) Plan: (Continued)

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,463 as of June 30, 2020.

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2020 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Plan from the entity were \$11,970 and \$11,928 for the years ended June 30, 2020 and June 30, 2019, respectively.

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

At June 30, 2020, the entity reported a liability of \$190,390 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2019 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the participating employer's proportion was 0.01170% as compared to 0.01223% at June 30, 2018.

For the year ended June 30, 2020, the participating employer recognized GLI OPEB expense of \$2,740. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

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

Group Life Insurance (GLI) Plan: (Continued)

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

At June 30, 2020, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 12,662	\$ 2,469
Net difference between projected and actual earnings on GLI OPEB plan investments	-	3,911
Change in assumptions	12,020	5,741
Changes in proportion	2,442	10,171
Employer contributions subsequent to the measurement date	<u>11,970</u>	<u>-</u>
Total	<u>\$ 39,094</u>	<u>\$ 22,292</u>

\$11,970 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2021	\$ (986)
2022	(986)
2023	671
2024	2,677
2025	2,800
Thereafter	656

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

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

Group Life Insurance (GLI) Plan: (Continued)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019. The assumptions include several employer groups as noted below. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

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

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of OPEB liabilities.

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

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

Group Life Insurance (GLI) Plan: (Continued)

Actuarial Assumptions: (Continued)

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

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

Group Life Insurance (GLI) Plan: (Continued)

Actuarial Assumptions: (Continued)

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the plan's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2019, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

		Group Life Insurance OPEB Plan
Total GLI OPEB Liability	\$	3,390,238
Plan Fiduciary Net Position		1,762,972
Employers' Net GLI OPEB Liability (Asset)	\$	<u>1,627,266</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		52.00%

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

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

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

Group Life Insurance (GLI) Plan: (Continued)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
		Inflation	2.50%
		Expected arithmetic nominal return	7.63%

*The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2019, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

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

Group Life Insurance (GLI) Plan: (Continued)

Discount Rate: (Continued)

assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

The following presents the employer's proportionate share of the net GLI OPEB liability using the discount rate of 6.75%, as well as what the employer's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Town's proportionate share of the Group Life Insurance Plan Net OPEB Liability	\$ 250,120	\$ 190,390	\$ 141,951

GLI Program Fiduciary Net Position

Detailed information about the GLI Plan's Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Line of Duty Act (LODA) Program:

Plan Description

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

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

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

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

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

Eligible Employees

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

Benefit Amounts

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

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

Contributions

The contribution requirements for the LODA Program are governed by §9.1-400.1 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the LODA Program for the year ended June 30, 2020 was \$705.77 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the LODA Program from the entity were \$11,292 and \$11,645 for the years ended June 30, 2020 and June 30, 2019, respectively.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

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

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

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

At June 30, 2020, the entity reported a liability of \$311,319 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2019 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The entity's proportion of the Net LODA OPEB Liability was based on the entity's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2019 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2019, the entity's proportion was 0.08677% as compared to 0.08524% at June 30, 2018.

For the year ended June 30, 2020, the entity recognized LODA OPEB expense of \$27,883. Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2020, the entity reported deferred outflows of resources and deferred inflows of resources related to the LODA OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 45,250	\$ -
Net difference between projected and actual earnings on LODA OPEB program investments		616
Change in assumptions	14,607	26,988
Change in proportion	14,463	-
Employer contributions subsequent to the measurement date	<u>11,292</u>	<u>-</u>
Total	<u>\$ 85,612</u>	<u>\$ 27,604</u>

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

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

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

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

\$11,292 reported as deferred outflows of resources related to the LODA OPEB resulting from the entity's contributions subsequent to the measurement date will be recognized as a reduction of the Net LODA OPEB Liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>		
2021	\$	6,142
2022		6,143
2023		6,238
2024		6,340
2025		6,370
Thereafter		15,483

Actuarial Assumptions

The total LODA OPEB liability was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019. The assumptions include several employer groups as noted below. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

Inflation	2.50%
Salary increases, including inflation:	
Locality employees	N/A
Medical cost trend rates assumption:	
Under age 65	7.25%-4.75%
Ages 65 and older	5.50%-4.75%
Year of ultimate trend rate	
Post-65	Fiscal year ended 2023
Pre-65	Fiscal year ended 2028
Investment rate of return	3.50%, including inflation

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 3.50%. However, since the difference was minimal, a more conservative 3.50% investment return assumption has been used. Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.50% was used since it approximates the risk-free rate of return.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

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

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

Actuarial Assumptions: (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%

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

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

Net LODA OPEB Liability

The net OPEB liability (NOL) for the LODA Program represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2019, NOL amounts for the LODA Program are as follows (amounts expressed in thousands):

	LODA Program
Total LODA OPEB Liability	\$ 361,626
Plan Fiduciary Net Position	2,839
Employers' Net OPEB Liability	<u>\$ 358,787</u>
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	0.79%

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

Long-Term Expected Rate of Return

The long-term expected rate of return on LODA OPEB Program’s investments was set at 3.50% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments 6.75% assumption. Instead, the assumed annual rate of return of 3.50% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2019.

Discount Rate

The discount rate used to measure the total LODA OPEB liability was 3.50%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2019, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

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

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

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

The following presents the covered employer's proportionate share of the net LODA OPEB liability using the discount rate of 3.50%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.50%) or one percentage point higher (4.50%) than the current rate:

	Discount Rate		
	1% Decrease (2.50%)	Current (3.50%)	1% Increase (4.50%)
Town's proportionate share of the LODA net OPEB liability	\$ 361,152	\$ 311,319	\$ 271,904

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

Because the LODA Program contains a provision for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the covered employer's proportionate share of the net LODA OPEB liability using the health care trend rate of 7.75% decreasing to 4.75%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a health care trend rate that is one percentage point lower (6.75% decreasing to 3.75%) or one percentage point higher (8.75% decreasing to 5.75%) than the current rate:

	Health Care Trend Rates		
	1% Decrease (6.75% decreasing to 3.75%)	Current (7.75% decreasing to 4.75%)	1% Increase (8.75% decreasing to 5.75%)
Town's proportionate share of the LODA net OPEB liability	\$ 263,217	\$ 311,319	\$ 371,981

LODA OPEB Fiduciary Net Position

Detailed information about the LODA Program Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

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

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

	<u>Net OPEB Liability</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>OPEB Expense</u>
VRS OPEB Plans:				
Group Life Insurance Plan	\$ 190,390	\$ 39,094	\$ 22,292	\$ 2,740
Line of Duty Act Plan	311,319	85,612	27,604	27,883
Health Insurance - Pay-As-You-Go	186,972	17,348	10,396	17,826
Totals	<u>\$ 688,681</u>	<u>\$ 142,054</u>	<u>\$ 60,292</u>	<u>\$ 48,449</u>

NOTE 12—COVID-19 PANDEMIC SUBSEQUENT EVENT:

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency stemming from a new strain of coronavirus that was spreading globally (the “COVID-19 outbreak”). On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, triggering volatility in financial markets and a significant negative impact on the global economy. The COVID-19 pandemic has developed rapidly in 2020 and remains a quickly evolving situation. As a result of the spread of COVID-19, economic uncertainties have arisen which are likely to negatively impact economic activity. The Town is not able to estimate the effects of the COVID-19 pandemic for fiscal year 2021.

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

General Fund

For the Year Ended June 30, 2020

	General Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
General property taxes	\$ 843,000	\$ 843,000	\$ 839,730	\$ (3,270)
Other local taxes/revenues	2,154,400	2,154,400	2,218,166	63,766
Permits, fees, and regulatory licenses	3,100	3,100	9,250	6,150
Fines and forfeitures	80,000	80,000	112,562	32,562
Revenues from use of money and property	15,144	15,144	17,527	2,383
Charges for services	158,408	158,408	181,578	23,170
Miscellaneous	(150,804)	68,598	72,939	4,341
Recovered costs	16,000	16,000	12,301	(3,699)
Revenue from internal sources	339,677	339,677	339,677	-
Intergovernmental revenues:				
Commonwealth	1,559,609	1,559,609	1,621,585	61,976
Federal	2,000	632,486	40,062	(592,424)
Total revenues	\$ 5,020,534	\$ 5,870,422	\$ 5,465,377	\$ (405,045)
EXPENDITURES				
Current:				
General government administration	\$ 744,286	\$ 746,946	\$ 718,885	\$ 28,061
Public safety	1,561,380	1,561,380	1,559,848	1,532
Public works	1,729,588	1,764,588	1,610,575	154,013
Parks, recreation, and cultural	30,000	30,000	30,889	(889)
Community development	125,010	125,010	119,082	5,928
Nondepartmental	202,877	202,721	292,849	(90,128)
Capital projects	451,516	263,744	541,747	(278,003)
Debt service:				
Principal	159,112	159,112	285,896	(126,784)
Interest and finance charges	16,765	16,921	16,765	156
Total expenditures	\$ 5,020,534	\$ 4,870,422	\$ 5,176,536	\$ (306,114)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ 1,000,000	\$ 288,841	\$ (711,159)
OTHER FINANCING SOURCES (USES)				
Net operating transfers	\$ -	\$ -	\$ (62,698)	\$ (62,698)
Total other financing sources (uses)	\$ -	\$ -	\$ (62,698)	\$ (62,698)
Net change in fund balances	\$ -	\$ 1,000,000	\$ 226,143	\$ (773,857)
Fund Balance at Beginning of Year	-	-	3,841,887	3,841,887
Fund Balance at End of Year	\$ -	\$ 1,000,000	\$ 4,068,030	\$ 3,068,030

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
For the Measurement Dates of June 30, 2014 through June 30, 2019

	2019	2018	2017	2016	2015	2014
Total pension liability						
Service cost	\$ 299,300	\$ 281,679	\$ 281,532	\$ 323,066	\$ 319,585	\$ 224,518
Interest	637,545	599,024	562,059	524,852	458,693	431,065
Changes in benefit terms	-	-	-	-	416,043	-
Differences between expected and actual experience	151,296	38,568	187,833	46,647	91,586	-
Changes of assumptions	329,802	-	(149,862)	-	-	-
Benefit payments	(361,313)	(376,607)	(330,387)	(395,687)	(285,864)	(235,941)
Net change in total pension liability	\$ 1,056,630	\$ 542,664	\$ 551,175	\$ 498,878	\$ 1,000,043	\$ 419,642
Total pension liability - beginning	9,288,448	8,745,784	8,194,609	7,695,731	6,695,688	6,276,046
Total pension liability - ending (a)	\$ 10,345,078	\$ 9,288,448	\$ 8,745,784	\$ 8,194,609	\$ 7,695,731	\$ 6,695,688
Plan fiduciary net position						
Contributions - employer	\$ 308,187	\$ 301,386	\$ 284,672	\$ 256,860	\$ 275,028	\$ 209,608
Contributions - employee	112,670	113,708	109,433	110,576	118,347	125,102
Net investment income	509,593	516,602	756,868	105,976	265,333	771,541
Benefit payments	(361,313)	(376,607)	(330,387)	(395,687)	(285,864)	(235,941)
Administrator charges	(4,811)	(4,336)	(4,217)	(3,714)	(3,462)	(4,035)
Other	(321)	(467)	(680)	(45)	(56)	41
Net change in plan fiduciary net position	\$ 564,005	\$ 550,286	\$ 815,689	\$ 73,966	\$ 369,326	\$ 866,316
Plan fiduciary net position - beginning	7,510,318	6,960,032	6,144,343	6,070,377	5,701,051	4,834,735
Plan fiduciary net position - ending (b)	\$ 8,074,323	\$ 7,510,318	\$ 6,960,032	\$ 6,144,343	\$ 6,070,377	\$ 5,701,051
Town's net pension liability - ending (a) - (b)	\$ 2,270,755	\$ 1,778,130	\$ 1,785,752	\$ 2,050,266	\$ 1,625,354	\$ 994,637
Plan fiduciary net position as a percentage of the total pension liability	78.05%	80.86%	79.58%	74.98%	78.88%	85.15%
Covered payroll	\$ 2,293,927	\$ 2,314,522	\$ 2,180,643	\$ 2,205,029	\$ 2,344,581	\$ 2,330,120
Town's net pension liability as a percentage of covered payroll	98.99%	76.82%	81.89%	92.98%	69.32%	42.69%

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

Schedule of Employer Contributions - Pension
 For the Years Ended June 30, 2011 through June 30, 2020

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2020	\$ 308,344	\$ 308,344	\$ -	\$ 2,301,901	13.40%
2019	310,630	310,630	-	2,293,927	13.54%
2018	301,386	301,386	-	2,314,522	13.02%
2017	289,371	289,371	-	2,180,643	13.27%
2016	259,091	259,091	-	2,205,029	11.75%
2015	275,488	275,488	-	2,344,581	11.75%
2014	209,711	209,711	-	2,330,120	9.00%
2013	204,222	204,222	-	2,269,129	9.00%
2012	120,108	120,108	-	2,140,967	5.61%
2011	114,773	114,773	-	2,045,859	5.61%

Notes to Required Supplementary Information - Pension
For the Year Ended June 30, 2020

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

Changes of assumptions - The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

All Others (Non 10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Schedule of Changes in Total OPEB Liability - Health Insurance
For the Years Ended June 30, 2018 through June 30, 2020

	2020	2019	2018
Total OPEB liability			
Service cost	\$ 11,874	\$ 10,627	\$ 8,877
Interest	5,017	4,982	5,366
Differences between expected and actual experience	14,074	-	-
Changes in assumptions	(4,279)	7,047	(10,766)
Net change in total OPEB liability	\$ 26,686	\$ 22,656	\$ 3,477
Total OPEB liability - beginning	160,287	137,631	134,154
Total OPEB liability - ending	\$ 186,973	\$ 160,287	\$ 137,631

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

Notes to Required Supplementary Information - OPEB - Health Insurance
For the Year Ended June 30, 2020

Valuation Date: July 1, 2020
Measurement Date: June 30, 2020

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

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry Age Normal, Level Percentage of Pay.
Discount Rate	2.45% as of June 30, 2020.
Inflation	2.50% per year as of June 30, 2020.
Healthcare Trend Rates	The healthcare trend rate assumptions vary by year and range between 4.00% and 5.20%.
Salary Increase Rates	The salary increase rate starts at 5.35% salary increase (4.75% for law enforcement) for one year of service and gradually declines to 3.50% salary increase for twenty or more years of service.
Mortality Rates	The mortality rates for were calculated using the Pub-2010 headcounts with generational mortality improvements using scale MP-2019.

Schedule of Town's Share of Net OPEB Liability - Group Life Insurance
For the Measurement Dates of June 30, 2017 through June 30, 2019

Date	Employer's Proportion of the Net GLI OPEB Liability	Employer's Proportionate Share of the Net GLI OPEB Liability (a)	Employer's Covered Payroll (b)	Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of Covered Payroll (a)/(b)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability
2019	0.01170% \$	190,390	\$ 2,293,927	8.30%	52.00%
2018	0.01223%	186,000	2,324,991	8.00%	51.22%
2017	0.01195%	180,000	2,203,103	8.17%	48.86%

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

Schedule of Employer Contributions - Group Life Insurance
For the Years Ended June 30, 2011 through June 30, 2020

Date	Contractually Required Contribution	Actual Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2020	\$ 11,970	\$ 11,970	\$ -	\$ 2,301,948	0.52%
2019	11,928	11,928	-	2,293,927	0.52%
2018	12,090	12,090	-	2,324,991	0.52%
2017	11,456	11,456	-	2,203,103	0.52%
2016	10,584	10,584	-	2,205,029	0.48%
2015	11,254	11,254	-	2,344,581	0.48%
2014	11,185	11,185	-	2,330,120	0.48%
2013	10,892	10,892	-	2,269,129	0.48%
2012	5,995	5,995	-	2,140,967	0.28%
2011	5,728	5,728	-	2,045,859	0.28%

Notes to Required Supplementary Information - Group Life Insurance
For the Year Ended June 30, 2020

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

Changes of assumptions - The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Schedule of Town's Share of Net OPEB Liability - LODA

For the Measurement Dates of June 30, 2017 through June 30, 2019

Date	Town's Proportion of the Net LODA OPEB Liability	Town's Proportionate Share of the Net LODA OPEB Liability	Plan Fiduciary Net Position as a Percentage of Total LODA OPEB Liability
2019	0.08677% \$	311,319	0.79%
2018	0.08524%	267,000	0.60%
2017	0.08417%	221,000	1.30%

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

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

Schedule of Employer Contributions - LODA
 For the Years Ended June 30, 2018 through June 30, 2020

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)
2020	\$ 11,292	\$ 11,292	\$ -
2019	11,645	11,645	-
2018	9,078	9,078	-

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

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

Notes to Required Supplementary Information - LODA
For the Year Ended June 30, 2020

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

Changes of assumptions - The actuarial assumptions used in the June 30, 2018 valuation were based on results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%

Other Supplementary Information

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Supporting Schedules

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2020

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	\$ 635,000	\$ 635,000	\$ 610,672	\$ (24,328)
Personal property taxes	175,000	175,000	196,816	21,816
Public service corporation taxes	33,000	33,000	32,242	(758)
Total general property taxes	\$ 843,000	\$ 843,000	\$ 839,730	\$ (3,270)
Other local taxes/revenues:				
Local sales and use taxes	\$ 224,500	\$ 224,500	\$ 252,390	\$ 27,890
Consumers' utility taxes	231,400	231,400	237,885	6,485
Electric consumption taxes	17,000	17,000	16,293	(707)
Motor vehicle licenses	88,000	88,000	88,880	880
Bank franchise taxes	185,000	185,000	167,894	(17,106)
Restaurant food taxes	1,175,000	1,175,000	1,249,067	74,067
Business licenses	3,500	3,500	256	(3,244)
Transient/occupancy taxes	140,000	140,000	124,381	(15,619)
Cigarette taxes	90,000	90,000	81,120	(8,880)
Total other local taxes/revenues	\$ 2,154,400	\$ 2,154,400	\$ 2,218,166	\$ 63,766
Permits, fees, and regulatory licenses:				
Planning and development fees	\$ 3,000	\$ 3,000	\$ 9,100	\$ 6,100
Construction permits/fees	100	100	150	50
Total permits, fees, and regulatory licenses	\$ 3,100	\$ 3,100	\$ 9,250	\$ 6,150
Fines and forfeitures:				
Court fines and forfeitures	\$ 80,000	\$ 80,000	\$ 112,562	\$ 32,562
Revenue from use of money and property:				
Revenue from use of money	\$ 10,404	10,404	\$ 14,072	\$ 3,668
Revenue from use of property	4,740	4,740	3,455	(1,285)
Total revenue from use of money and property	\$ 15,144	\$ 15,144	\$ 17,527	\$ 2,383
Charges for services:				
Refuse collection	\$ 140,000	\$ 140,000	\$ 158,568	\$ 18,568
Transit fees	18,408	18,408	23,010	4,602
Total charges for services	\$ 158,408	\$ 158,408	\$ 181,578	\$ 23,170

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from Local Sources: (Continued)				
Miscellaneous:				
Reserve funds	\$ (202,510)	\$ 16,892	\$ -	\$ (16,892)
Administrative fees	7,000	7,000	2,010	(4,990)
Proceeds from the sale of surplus property	-	-	22,232	22,232
Proceeds from the sale of recycled material	-	-	678	678
Revenue refunds	44,156	44,156	47,124	2,968
Miscellaneous	550	550	895	345
Total miscellaneous	\$ (150,804)	\$ 68,598	\$ 72,939	\$ 4,341
Recovered costs:				
Expenditure refunds	\$ 16,000	\$ 16,000	\$ 12,301	\$ (3,699)
Revenue from internal sources:				
Internal charges	\$ 339,677	\$ 339,677	\$ 339,677	\$ -
Total revenue from local sources	\$ 3,458,925	\$ 3,678,327	\$ 3,803,730	\$ 125,403
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	\$ 7,000	\$ 7,000	\$ 6,773	\$ (227)
Motor vehicle carriers' tax	42,000	42,000	41,892	(108)
Communications tax	170,000	170,000	146,440	(23,560)
Personal property tax relief funds	89,615	89,615	89,615	-
Total noncategorical aid	\$ 308,615	\$ 308,615	\$ 284,720	\$ (23,895)
Categorical aid:				
State Highway Funds	\$ 971,588	\$ 971,588	\$ 972,002	\$ 414
VDOT Revenue Sharing	154,758	154,758	230,799	76,041
Aid to localities with police departments	106,348	106,348	114,584	8,236
Fire Program Grants	15,800	15,800	17,195	1,395
Litter Control Grant	2,500	2,500	2,285	(215)
Total categorical aid	\$ 1,250,994	\$ 1,250,994	\$ 1,336,865	\$ 85,871
Total revenue from the commonwealth	\$ 1,559,609	\$ 1,559,609	\$ 1,621,585	\$ 61,976
Revenue from the Federal Government:				
Categorical aid:				
Communities Facilities Loans and Grants	\$ 2,000	\$ 2,000	\$ -	\$ (2,000)
Highway construction	-	612,986	40,062	(572,924)
USDA Rural Development	-	17,500	-	(17,500)
Total categorical aid	\$ 2,000	\$ 632,486	\$ 40,062	\$ (592,424)
Total revenue from the federal government	\$ 2,000	\$ 632,486	\$ 40,062	\$ (592,424)
Total General Fund	\$ 5,020,534	\$ 5,870,422	\$ 5,465,377	\$ (405,045)

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2020 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Special Revenue Fund:				
Taylor Park Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 369	\$ 369
Total revenue from local sources	\$ -	\$ -	\$ 369	\$ 369
Total Taylor Park Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 369</u>	<u>\$ 369</u>
Capital Projects Fund:				
Revenue from local sources:				
Miscellaneous:				
Other miscellaneous	\$ -	\$ -	\$ 31,471	\$ 31,471
Total revenue from local sources	\$ -	\$ -	\$ 31,471	\$ 31,471
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Virginia Arts Commission	\$ -	\$ -	\$ 4,500	\$ 4,500
Total categorical aid	\$ -	\$ -	\$ 4,500	\$ 4,500
Total revenue from the commonwealth	\$ -	\$ -	\$ 4,500	\$ 4,500
Total Capital Projects Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,971</u>	<u>\$ 35,971</u>
Total Primary Government	<u>\$ 5,020,534</u>	<u>\$ 5,870,422</u>	<u>\$ 5,501,717</u>	<u>\$ (368,705)</u>

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2020

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Town Council	\$ 46,836	\$ 46,836	\$ 42,183	\$ 4,653
General and financial administration:				
Town manager	\$ 300,161	\$ 302,821	\$ 287,604	\$ 15,217
Professional services	38,500	38,500	31,163	7,337
Elections	4,000	4,000	2,844	1,156
Treasurer/finance	354,789	354,789	355,091	(302)
Total general and financial administration	\$ 697,450	\$ 700,110	\$ 676,702	\$ 23,408
Total general government administration	\$ 744,286	\$ 746,946	\$ 718,885	\$ 28,061
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 1,495,580	\$ 1,495,580	\$ 1,490,653	\$ 4,927
Fire and rescue services:				
Volunteer fire departments	\$ 65,800	\$ 65,800	\$ 69,195	\$ (3,395)
Total fire and rescue services	\$ 65,800	\$ 65,800	\$ 69,195	\$ (3,395)
Total public safety	\$ 1,561,380	\$ 1,561,380	\$ 1,559,848	\$ 1,532
Public works:				
Streets and general maintenance	\$ 1,404,995	\$ 1,439,995	\$ 1,257,361	\$ 182,634
Refuse collection and disposal	149,253	149,253	192,539	(43,286)
Municipal building	46,439	46,439	50,446	(4,007)
Depot	26,000	26,000	7,329	18,671
TOOT	102,901	102,901	102,900	1
Total public works	\$ 1,729,588	\$ 1,764,588	\$ 1,610,575	\$ 154,013
Parks, recreation, and cultural:				
Parks and recreation	\$ 30,000	\$ 30,000	\$ 30,889	\$ (889)
Total parks, recreation, and cultural	\$ 30,000	\$ 30,000	\$ 30,889	\$ (889)

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020 (Continued)

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Community development:				
Planning and community development	\$ 125,010	\$ 125,010	\$ 119,082	\$ 5,928
Total community development	\$ 125,010	\$ 125,010	\$ 119,082	\$ 5,928
Nondepartmental:				
Insurance	\$ 41,221	\$ 41,221	\$ 42,928	\$ (1,707)
Revenue refunds	-	-	26,967	(26,967)
Contractual services	27,400	27,400	67,502	(40,102)
Bank service charges	12,500	12,500	14,887	(2,387)
Miscellaneous	500	1,400	19,865	(18,465)
Donations	121,256	120,200	120,700	(500)
Total nondepartmental	\$ 202,877	\$ 202,721	\$ 292,849	\$ (90,128)
Capital expenditures:				
Capital outlay	\$ 451,516	\$ 263,744	\$ 541,747	\$ (278,003)
Debt service:				
Principal	\$ 159,112	\$ 159,112	\$ 285,896	\$ (126,784)
Interest	16,765	16,921	16,765	156
Total debt service	\$ 175,877	\$ 176,033	\$ 302,661	\$ (126,628)
Total General Fund	\$ 5,020,534	\$ 4,870,422	\$ 5,176,536	\$ (306,114)
Capital Projects Fund:				
Capital projects expenditures	\$ -	\$ -	\$ 39,113	\$ (39,113)
Total Capital Projects Fund	\$ -	\$ -	\$ 39,113	\$ (39,113)
Total Primary Government	\$ 5,020,534	\$ 4,870,422	\$ 5,215,649	\$ (345,227)

Other Statistical Information

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental activities										
Net investment in capital assets	\$ 3,430,421	\$ 3,458,415	\$ 3,493,408	\$ 4,343,194	\$ 6,426,911	\$ 6,879,703	\$ 6,812,449	\$ 6,646,598	\$ 6,576,496	\$ 6,332,218
Restricted	2,392	134,670	110,059	110,273	110,491	110,688	108,489	108,919	72,721	73,090
Unrestricted	2,992,024	2,940,650	3,807,987	3,262,813	1,886,857	1,552,399	1,298,911	1,589,401	1,938,793	2,154,421
Total governmental activities net position	\$ 6,424,837	\$ 6,533,735	\$ 7,411,454	\$ 7,716,280	\$ 8,424,259	\$ 8,542,790	\$ 8,219,849	\$ 8,344,918	\$ 8,588,010	\$ 8,559,729
Business-type activities										
Net investment in capital assets	\$ 15,481,745	\$ 15,193,913	\$ 15,080,241	\$ 15,130,074	\$ 15,035,677	\$ 14,968,510	\$ 14,907,763	\$ 14,863,253	\$ 14,938,357	\$ 14,953,642
Restricted	-	68,639	-	-	-	-	-	-	-	-
Unrestricted	1,535,331	886,604	248,257	692,690	175,815	75,741	(127,184)	(482,137)	(471,349)	(550,646)
Total business-type activities net position	\$ 17,017,076	\$ 16,149,156	\$ 15,328,498	\$ 15,822,764	\$ 15,211,492	\$ 15,044,251	\$ 14,780,579	\$ 14,381,116	\$ 14,467,008	\$ 14,402,996
Primary government										
Net investment in capital assets	\$ 18,912,166	\$ 18,652,328	\$ 18,573,649	\$ 19,473,268	\$ 21,462,588	\$ 21,848,213	\$ 21,720,212	\$ 21,509,851	\$ 21,514,853	\$ 21,285,860
Restricted	2,392	203,309	110,059	110,273	110,491	110,688	108,489	108,919	72,721	73,090
Unrestricted	4,527,355	3,827,254	4,056,244	3,955,503	2,062,672	1,628,140	1,171,727	1,107,264	1,467,444	1,603,775
Total primary government net position	\$ 23,441,913	\$ 22,682,891	\$ 22,739,952	\$ 23,539,044	\$ 23,635,751	\$ 23,587,041	\$ 23,000,428	\$ 22,726,034	\$ 23,055,018	\$ 22,962,725

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses										
Governmental activities:										
General government administration	\$ 854,434	\$ 898,399	\$ 775,161	\$ 854,920	\$ 856,706	\$ 979,006	\$ 875,454	\$ 1,107,261	\$ 897,957	\$ 1,086,760
Public safety	1,275,689	1,377,427	1,455,083	1,510,652	1,552,517	1,639,762	1,527,727	1,554,318	1,606,968	1,716,475
Public works	1,834,837	1,905,767	1,699,846	1,736,332	2,228,490	1,979,808	2,653,300	2,743,120	2,147,876	2,261,178
Parks, recreation and cultural	57,976	60,559	71,913	52,195	58,421	50,109	47,917	50,018	82,372	64,607
Community development	243,143	207,866	237,908	221,693	246,980	343,595	355,813	355,054	377,524	360,272
Interest on long-term debt	75,574	71,701	67,167	14,114	61,723	56,142	51,715	49,495	44,416	39,421
Total governmental activities expenses	\$ 4,341,653	\$ 4,521,719	\$ 4,307,078	\$ 4,389,906	\$ 5,004,837	\$ 5,048,422	\$ 5,511,926	\$ 5,859,266	\$ 5,157,113	\$ 5,528,713
Business-type activities:										
Water	\$ 1,406,518	\$ 1,540,247	\$ 1,564,437	\$ 1,449,285	\$ 1,561,035	\$ 1,414,969	\$ 1,511,899	\$ 1,596,581	\$ 1,450,047	\$ 1,520,511
Sewer	1,139,978	1,735,986	1,795,538	1,961,749	1,823,607	1,869,725	1,837,446	1,787,301	1,833,551	1,843,391
Water and sewer capital improvements	73,728	69,960	-	-	-	-	-	-	-	-
Sewer capital improvements	73,455	76,820	-	-	-	-	-	-	-	-
Total business-type activities expenses	\$ 2,693,679	\$ 3,423,013	\$ 3,359,975	\$ 3,411,034	\$ 3,384,642	\$ 3,284,694	\$ 3,349,345	\$ 3,383,882	\$ 3,283,598	\$ 3,363,902
Total primary government expenses	\$ 7,035,332	\$ 7,944,732	\$ 7,667,053	\$ 7,800,940	\$ 8,389,479	\$ 8,333,116	\$ 8,861,271	\$ 9,243,148	\$ 8,440,711	\$ 8,892,615
Program Revenues										
Governmental activities:										
Charges for services:										
General government administration	\$ 286,452	\$ 291,948	\$ 298,030	\$ 303,288	\$ 309,120	\$ 315,072	\$ 317,016	\$ 325,716	\$ 332,820	\$ 339,677
Public safety	122,852	75,808	58,887	85,679	66,913	62,056	84,083	75,938	92,549	112,562
Public works	37,323	50,475	103,681	107,498	94,358	82,964	172,940	163,491	192,994	181,578
Community development	-	5,858	5,401	811	3,300	2,430	1,775	3,010	1,263	9,250
Operating grants and contributions	964,445	863,290	895,487	970,366	1,551,123	1,074,655	1,257,792	2,228,546	1,348,307	1,381,427
Capital grants and contributions	-	223,805	11,164	413,670	1,394,645	335,279	-	-	-	-
Total governmental activities program revenues	\$ 1,411,072	\$ 1,511,184	\$ 1,372,650	\$ 1,881,312	\$ 3,419,459	\$ 1,872,456	\$ 1,833,606	\$ 2,796,701	\$ 1,967,933	\$ 2,024,494
Business-type activities:										
Charges for services:										
Water	\$ 1,287,521	\$ 1,152,332	\$ 1,372,441	\$ 1,282,238	\$ 1,298,513	\$ 1,313,480	\$ 1,174,447	\$ 1,252,490	\$ 1,301,768	\$ 1,280,293
Sewer	1,286,043	1,261,087	1,406,808	1,613,061	1,632,961	1,640,701	1,640,330	1,675,269	1,669,355	1,724,398
Capital grants and contributions	1,436,119	20,265	196,023	34,505	7,500	71,149	207,644	18,330	40,564	79,247
Total business-type activities program revenues	\$ 4,009,683	\$ 2,433,684	\$ 2,975,272	\$ 2,929,804	\$ 2,938,974	\$ 3,025,330	\$ 3,022,421	\$ 2,946,089	\$ 3,011,687	\$ 3,083,938
Total primary government program revenues	\$ 5,420,755	\$ 3,944,868	\$ 4,347,922	\$ 4,811,116	\$ 6,358,433	\$ 4,897,786	\$ 4,856,027	\$ 5,742,790	\$ 4,979,620	\$ 5,108,432
Net (expense) / revenue										
Governmental activities	\$ (2,930,581)	\$ (3,010,535)	\$ (2,934,428)	\$ (2,508,594)	\$ (1,585,378)	\$ (3,175,966)	\$ (3,678,320)	\$ (3,062,565)	\$ (3,189,180)	\$ (3,504,219)
Business-type activities	1,316,004	(989,329)	(384,703)	(481,230)	(445,668)	(259,364)	(326,924)	(437,793)	(271,911)	(279,964)
Total primary government net (expense)/ revenue	\$ (1,614,577)	\$ (3,999,864)	\$ (3,319,131)	\$ (2,989,824)	\$ (2,031,046)	\$ (3,435,330)	\$ (4,005,244)	\$ (3,500,358)	\$ (3,461,091)	\$ (3,784,183)

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes	\$ 684,066	\$ 668,032	\$ 741,887	\$ 689,485	\$ 759,925	\$ 728,639	\$ 878,002	\$ 869,356	\$ 872,952	\$ 913,444
Local sales and use taxes	312,332	321,262	345,208	355,692	241,507	197,533	225,086	229,204	231,072	252,390
Restaurant food taxes	940,940	1,007,295	1,058,059	1,032,790	1,096,455	1,152,548	1,164,425	1,199,380	1,289,772	1,249,067
Consumers' utility taxes	234,575	230,107	226,271	233,804	233,334	239,301	219,739	234,574	240,652	237,885
Other local taxes	478,793	474,172	468,037	533,451	639,211	525,518	500,846	593,302	512,307	478,824
Unrestricted grants and contributions	410,036	409,005	414,664	411,818	138,536	304,340	308,556	309,463	289,990	284,720
Unrestricted revenues from use of money and property	12,449	8,764	17,034	12,138	11,422	19,514	11,622	12,490	25,776	17,896
Miscellaneous	19,484	10,334	24,881	32,723	24,998	127,104	12,977	23,657	68,910	81,500
Gain (loss) on the disposal of assets	18,670	23,249	9,748	17,877	63,219	-	34,126	6,705	7,486	22,910
Transfers	-	-	506,358	(506,358)	-	-	-	-	-	(62,698)
Total governmental activities	\$ 3,111,345	\$ 3,152,220	\$ 3,812,147	\$ 2,813,420	\$ 3,208,607	\$ 3,294,497	\$ 3,355,379	\$ 3,478,131	\$ 3,538,917	\$ 3,475,938
Business-type activities:										
Unrestricted revenues from use of money and property	\$ 6,914	\$ 1,893	\$ 2,632	\$ 1,519	\$ 1,572	\$ 1,688	\$ 1,618	\$ 3,250	\$ 5,789	\$ 3,981
Miscellaneous	143,276	55,554	67,771	172,761	149,277	90,435	61,634	60,737	245,369	149,273
Transfers	-	-	(506,358)	506,358	-	-	-	-	-	62,698
Total business-type activities	\$ 150,190	\$ 57,447	\$ (435,955)	\$ 680,638	\$ 150,849	\$ 92,123	\$ 63,252	\$ 63,987	\$ 251,158	\$ 215,952
Total primary government	\$ 3,261,535	\$ 3,209,667	\$ 3,376,192	\$ 3,494,058	\$ 3,359,456	\$ 3,386,620	\$ 3,418,631	\$ 3,542,118	\$ 3,790,075	\$ 3,691,890
Change in Net Position										
Governmental activities	\$ 180,764	\$ 141,685	\$ 877,719	\$ 304,826	\$ 1,623,229	\$ 118,531	\$ (322,941)	\$ 415,566	\$ 349,737	\$ (28,281)
Business-type activities	1,466,194	(931,882)	(820,658)	199,408	(294,819)	(167,241)	(263,672)	(373,806)	(20,753)	(64,012)
Total primary government	\$ 1,646,958	\$ (790,197)	\$ 57,061	\$ 504,234	\$ 1,328,410	\$ (48,710)	\$ (586,613)	\$ 41,760	\$ 328,984	\$ (92,293)

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

Fiscal Year	Property Tax	Local Sales and Use Tax	Consumers' Utility Tax	Restaurant Food Tax	Other Local Taxes	Total
2020	\$ 913,444	\$ 252,390	\$ 237,885	\$ 1,249,067	\$ 478,824	\$ 3,131,610
2019	872,952	231,072	240,652	1,289,772	512,307	3,146,755
2018	869,356	229,204	234,574	1,199,380	593,302	3,125,816
2017	878,002	225,086	219,739	1,164,425	500,846	2,988,098
2016	729,128	197,533	239,301	1,152,548	525,518	2,844,028
2015	759,925	241,507	233,334	1,096,455	463,045	2,794,266
2014	689,485	355,692	233,804	1,032,790	533,451	2,845,222
2013	741,887	345,208	226,271	1,058,059	468,037	2,839,462
2012	668,032	321,262	230,107	1,007,295	474,172	2,700,868
2011	684,066	312,332	234,575	940,940	478,793	2,650,706

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General fund										
Nonspendable	\$ 21,387	\$ -	\$ -	\$ 34,623	\$ 9,862	\$ 14,294	\$ 37,151	\$ 34,349	\$ 30,917	\$ 32,479
Restricted	2,392	27,392	2,392	2,392	2,392	2,392	-	-	-	-
Unassigned	2,899,043	2,972,253	3,863,499	3,362,635	2,823,770	2,933,891	2,707,406	3,503,942	3,810,970	4,035,551
Total general fund	<u>\$ 2,922,822</u>	<u>\$ 2,999,645</u>	<u>\$ 3,865,891</u>	<u>\$ 3,399,650</u>	<u>\$ 2,836,024</u>	<u>\$ 2,950,577</u>	<u>\$ 2,744,557</u>	<u>\$ 3,538,291</u>	<u>\$ 3,841,887</u>	<u>\$ 4,068,030</u>
All other governmental funds										
Restricted										
Taylor park fund	\$ 107,089	\$ 107,278	\$ 107,667	\$ 107,881	\$ 108,099	\$ 108,296	\$ 108,489	\$ 108,919	\$ 72,721	\$ 73,090
Assigned										
Capital projects fund	70,507	133,804	124,313	119,093	98,029	-	-	-	-	-
Unassigned										
Capital projects fund	-	-	-	-	-	(5,573)	(33,032)	(61,238)	(45,421)	(48,563)
Total all other governmental funds	<u>\$ 177,596</u>	<u>\$ 241,082</u>	<u>\$ 231,980</u>	<u>\$ 226,974</u>	<u>\$ 206,128</u>	<u>\$ 102,723</u>	<u>\$ 75,457</u>	<u>\$ 47,681</u>	<u>\$ 27,300</u>	<u>\$ 24,527</u>
Total fund balance, governmental funds	<u>\$ 3,100,418</u>	<u>\$ 3,240,727</u>	<u>\$ 4,097,871</u>	<u>\$ 3,626,624</u>	<u>\$ 3,042,152</u>	<u>\$ 3,053,300</u>	<u>\$ 2,820,014</u>	<u>\$ 3,585,972</u>	<u>\$ 3,869,187</u>	<u>\$ 4,092,557</u>

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenues										
General property taxes	\$ 701,614	\$ 660,003	\$ 723,149	\$ 738,725	\$ 731,855	\$ 729,128	\$ 836,044	\$ 875,217	\$ 882,249	\$ 839,730
Other local taxes	1,966,640	2,032,836	2,097,575	2,155,737	2,034,341	2,114,900	2,110,096	2,256,460	2,273,803	2,218,166
Permits, privilege fees and regulatory licenses	4,800	5,868	5,401	811	3,300	2,430	1,775	3,010	1,263	9,250
Fines and forfeitures	100,414	75,798	58,887	85,679	66,913	62,056	84,083	75,938	92,549	112,562
Revenue from use of money and property	12,449	8,764	17,034	11,658	11,422	10,079	11,622	12,490	25,776	17,896
Charges for services	54,961	50,475	103,681	107,498	94,358	82,964	172,940	163,491	192,994	181,578
Miscellaneous	38,154	33,583	34,629	50,600	32,952	148,468	47,104	30,361	76,396	104,410
Recovered costs	21,052	3,042	11,448	13,723	149,332	23,758	59,928	26,448	61,055	12,301
Revenue from internal sources	286,452	291,948	298,030	303,288	309,120	315,072	317,016	325,716	332,820	339,677
Intergovernmental revenues:										
Commonwealth	1,318,560	1,388,593	1,317,347	1,686,080	1,865,825	1,374,592	1,566,348	2,538,009	1,532,605	1,626,085
Federal	55,921	107,507	3,968	-	1,394,645	339,682	-	-	105,692	40,062
Total revenues	\$ 4,561,017	\$ 4,658,417	\$ 4,671,149	\$ 5,153,799	\$ 6,694,063	\$ 5,203,129	\$ 5,206,956	\$ 6,307,140	\$ 5,577,202	\$ 5,501,717
Expenditures										
General government administration	\$ 602,329	\$ 627,534	\$ 627,697	\$ 652,017	\$ 675,657	\$ 759,721	\$ 687,550	\$ 719,645	\$ 726,049	\$ 718,885
Public safety	1,224,128	1,369,728	1,370,094	1,421,949	1,485,085	1,394,255	1,453,981	1,575,768	1,537,340	1,559,848
Public works	1,642,227	1,712,926	1,658,561	1,802,964	2,040,264	1,629,591	1,688,096	1,613,496	1,611,253	1,610,575
Parks, recreation and cultural	22,832	23,033	27,856	22,495	28,721	21,629	26,623	28,724	61,078	30,889
Community development	157,175	124,330	119,154	133,579	160,680	110,555	120,146	121,418	133,296	119,082
Non-departmental	197,841	160,793	186,764	181,148	202,871	213,362	214,299	217,970	216,580	292,849
Capital projects	148,112	361,531	277,418	729,606	2,553,360	870,320	1,055,138	1,016,859	725,353	580,860
Debt service										
Principal	94,000	115,887	118,237	147,425	233,598	162,127	167,402	223,086	156,762	285,896
Interest and other fiscal charges	74,325	70,824	66,817	27,077	33,299	30,421	27,007	24,216	19,631	16,765
Total expenditures	\$ 4,162,969	\$ 4,566,586	\$ 4,452,598	\$ 5,118,260	\$ 7,413,535	\$ 5,191,981	\$ 5,440,242	\$ 5,541,182	\$ 5,187,342	\$ 5,215,649
Excess of revenues over (under) expenditures	\$ 398,048	\$ 91,831	\$ 218,551	\$ 35,539	\$ (719,472)	\$ 11,148	\$ (233,286)	\$ 765,958	\$ 389,860	\$ 286,068
Other financing sources (uses)										
Transfers in	\$ 5	\$ -	\$ 506,358	\$ (506,358)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers out	(5)	-	-	-	-	-	-	-	(106,645)	(62,698)
Issuance of capital leases	-	48,478	132,235	-	135,000	-	-	-	-	-
Issuance of refunding bond	-	-	-	1,445,250	-	-	-	-	-	-
Payment to bond escrow agent	-	-	-	(1,440,672)	-	-	-	-	-	-
Total other financing sources (uses)	\$ -	\$ 48,478	\$ 638,593	\$ (501,780)	\$ 135,000	\$ -	\$ -	\$ -	\$ (106,645)	\$ (62,698)
Net change in fund balances	\$ 398,048	\$ 140,309	\$ 857,144	\$ (466,241)	\$ (584,472)	\$ 11,148	\$ (233,286)	\$ 765,958	\$ 283,215	\$ 223,370
Debt service as a percentage of noncapital expenditures	4.61%	4.84%	4.87%	4.33%	6.08%	4.92%	4.89%	6.09%	4.34%	7.49%

TOWN OF ORANGE, VIRGINIA

General Governmental Revenues by Source (1) (2)

Last Ten Fiscal Years

(modified accrual basis of accounting)

Fiscal Year		General Property Taxes		Other Local Taxes		Permits, Privilege fees, and Regulatory Licenses		Fines and Forfeitures		Revenue from Use of Money and Property
2020	\$	839,730	\$	2,218,166	\$	9,250	\$	112,562	\$	17,896
2019		882,249		2,273,803		1,263		92,549		25,776
2018		875,217		2,256,460		3,010		75,938		12,490
2017		836,044		2,110,096		1,775		84,083		11,622
2016		729,128		2,114,900		2,430		62,056		10,079
2015		731,855		2,034,341		3,300		66,913		11,422
2014		738,725		2,155,737		811		85,679		11,658
2013		723,149		2,097,575		5,401		58,887		16,531
2012		660,003		2,032,836		5,868		75,798		8,659
2011		701,614		1,966,640		4,800		100,414		12,230

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

Table 6

	Charges for Services		Recovered Costs		Miscellaneous (2)		Inter- governmental		Total
\$	181,578	\$	12,301	\$	104,410	\$	1,666,147	\$	5,162,040
	192,994		61,055		76,396		1,638,297		5,244,382
	163,491		26,448		30,361		2,538,009		5,981,424
	172,940		59,928		47,104		1,566,348		4,889,940
	82,964		23,758		148,468		1,714,274		4,888,057
	94,358		149,332		32,952		3,260,470		6,384,943
	107,498		13,723		353,888		1,686,080		5,153,799
	103,681		11,448		332,659		1,265,947		4,615,278
	50,475		3,042		325,531		1,358,180		4,520,392
	54,961		21,052		316,997		1,307,234		4,485,942

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
2020	\$ 403,082,247	\$ 45,409,042	\$ 18,114,430	\$ 466,605,719	466,605,719	100.00%
2019	361,909,632	45,400,564	18,903,683	426,213,879	426,213,879	100.00%
2018	360,859,679	39,990,938	18,951,844	419,802,461	419,802,461	100.00%
2017	360,271,230	35,671,613	17,808,609	413,751,452	413,751,452	100.00%
2016	356,080,893	34,424,008	17,186,324	407,691,225	407,691,225	100.00%
2015	359,771,020	34,309,280	13,566,760	407,647,060	407,647,060	100.00%
2014	360,205,672	34,591,100	15,323,152	410,119,924	410,119,924	100.00%
2013	356,605,925	36,261,468	15,012,840	407,880,233	407,880,233	100.00%
2012	353,249,375	33,652,796	14,945,558	401,847,729	401,847,729	100.00%
2011	452,484,785	33,306,877	15,242,650	501,034,312	501,034,312	100.00%

Source: Commissioner of Revenue of Orange County

Property Tax Rates (1)
Last Ten Fiscal Years

Fiscal Years	Direct Rates				
	Real Estate	Personal Property	Machinery and Tools	Public Service RE/PP	Mobile Home
2020	\$.175/.157	\$ 0.830	\$ 0.066	\$.175/.830	\$ 0.175
2019	.175/.175	0.830	0.066	.175/.830	0.175
2018	.175/.175	0.830	0.066	.175/.830	0.175
2017	.155/.175	0.830	0.066	.155/.830	0.155
2016	.155/.155	0.830	0.066	.155/.830	0.155
2015	.155/.155	0.830	0.066	.155/.830	0.155
2014	.155/.155	0.830	0.066	.155/.830	0.155
2013	.145/.155	0.830	0.066	.145/.830	0.145
2012	.114/.145	0.830	0.066	.114/.830	0.114
2011	.114/.114	0.830	0.066	.114/.830	0.114

(1) Per \$100 of assessed value

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
2019-20	\$ 878,222	\$ 919,560	104.71%	\$ 37,539	\$ 957,099	108.98%	\$ 46,559	5.30%
2018-19	880,942	915,070	103.87%	25,728	940,798	106.79%	58,648	6.66%
2017-18	950,348	938,912	98.80%	19,551	958,463	100.85%	36,377	3.83%
2016-17	873,536	845,956	96.84%	6,973	852,929	97.64%	64,014	7.33%
2015-16	822,344	796,864	96.90%	25,754	822,618	100.03%	22,286	2.71%
2014-15	823,502	810,895	98.47%	10,576	821,471	99.75%	24,404	2.96%
2013-14	825,977	778,024	94.19%	43,976	822,000	99.52%	23,428	2.84%
2012-13	817,562	755,728	92.44%	20,756	776,484	94.98%	58,720	7.18%
2011-12	770,459	744,245	96.60%	33,663	777,908	100.97%	44,549	5.78%
2010-11	768,695	765,066	99.53%	26,163	791,229	102.93%	60,543	7.88%

(1) Includes Commonwealth's PPTRA reimbursement

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

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

Fiscal Year	Population	Assessed Value (In Thousands) (2)	Gross General Obligation Debt (1)	Debt Payable from Enterprise Revenues (1)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value (2)	Net Bonded Debt per Capita
2020	5,049	\$ 466,606	\$ 2,950,000	\$ 2,202,700	\$ 747,300	0.16%	\$ 148
2019	5,049	426,214	3,330,000	2,441,700	888,300	0.21%	176
2018	5,044	419,802	3,704,999	2,678,049	1,026,950	0.24%	204
2017	4,988	413,751	4,074,999	2,911,749	1,163,250	0.28%	233
2016	4,947	407,691	4,429,999	3,132,799	1,297,200	0.32%	262
2015	4,902	407,647	4,774,999	3,348,549	1,426,450	0.35%	291
2014	4,855	410,120	5,115,000	3,561,650	1,553,350	0.38%	320
2013	4,813	407,880	5,183,537	3,623,387	1,560,150	0.38%	324
2012	4,776	401,848	5,425,169	3,763,969	1,661,200	0.41%	348
2011	4,730	501,034	5,660,721	3,900,821	1,759,900	0.35%	372

(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

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Compliance

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, and each major fund of Town of Orange, Virginia, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Town of Orange, Virginia's basic financial statements, and have issued our report thereon dated November 20, 2020.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Robinson, Farmer, Cox Associates

Charlottesville, Virginia

November 20, 2020