

Town of Orange, Virginia



Financial Report
Year Ended June 30, 2018

TOWN OF ORANGE, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2018

TOWN OF ORANGE, VIRGINIA

DIRECTORY OF OFFICIALS

COUNCIL

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

OFFICIALS

Greg Woods
Norris John
Wendy J. Chewning

Town Manager
Director of Finance
Town Clerk

TOWN OF ORANGE, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2018

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1-3
Management's Discussion and Analysis	4-9
 <u>Basic Financial Statements:</u>	
Government-wide Financial Statements:	
Exhibit 1 Statement of Net Position	10
Exhibit 2 Statement of Activities	11-12
 Fund Financial Statements:	
Exhibit 3 Balance Sheet—Governmental Funds	13
Exhibit 4 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	14
Exhibit 5 Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds	15
Exhibit 6 Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Exhibit 7 Statement of Net Position—Proprietary Funds	17
Exhibit 8 Statement of Revenues, Expenses, and Changes in Net Position—Proprietary Funds	18
Exhibit 9 Statement of Cash Flows—Proprietary Funds	19
Notes to Financial Statements	20-88
 <u>Required Supplementary Information:</u>	
Exhibit 10 Schedule of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual—General Fund	89
Exhibit 11 Schedule of Changes in Net Pension Liability (Asset) and Related Ratios	90
Exhibit 12 Schedule of Employer Contributions—Pension	91
Exhibit 13 Notes to Required Supplementary Information—Pension	92
Exhibit 14 Schedule of Changes in Total OPEB Liability—Health Insurance	93
Exhibit 15 Notes to Required Supplementary Information—OPEB—Health Insurance	94

TOWN OF ORANGE, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2018

TABLE OF CONTENTS

(Continued)

	<u>Page</u>
<u>Required Supplementary Information: (Continued)</u>	
Exhibit 16 Schedule of Town's Share of Net OPEB Liability—Group Life Insurance	95
Exhibit 17 Schedule of Employer Contributions—Group Life Insurance	96
Exhibit 18 Notes to Required Supplementary Information—Group Life Insurance	97-98
Exhibit 19 Schedule of Town's Share of Net OPEB Liability—LODA	99
Exhibit 20 Notes to Required Supplementary Information—LODA	100
Exhibit 21 Notes to Required Supplementary Information—OPEB—LODA	101
<u>Other Supplementary Information:</u>	
Supporting Schedules:	
Schedule 1 Schedule of Revenues—Budget and Actual—Governmental Funds	102-104
Schedule 2 Schedule of Expenditures—Budget and Actual—Governmental Funds	105-106
Other Statistical Information:	
Table 1 Net Position by Component—Last Ten Fiscal Years	107
Table 2 Changes in Net Position— Last Ten Fiscal Years	108-109
Table 3 Governmental Activities Tax Revenues by Source—Last Ten Fiscal Years	110
Table 4 Fund Balances of Governmental Funds—Last Ten Fiscal Years	111
Table 5 Changes in Fund Balances of Governmental Funds—Last Ten Fiscal Years	112
Table 6 General Governmental Revenues by Source—Last Ten Fiscal Years	113-114
Table 7 Assessed Value and Estimated Actual Value of Taxable Property—Last Ten Fiscal Years	115
Table 8 Property Tax Rates—Last Ten Fiscal Years	116
Table 9 Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita—Last Ten Fiscal Years	117
Table 10 Property Tax Levies and Collections—Last Ten Fiscal Years	118
<u>Compliance:</u>	
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 <i>Government Auditing Standards</i>	119-120

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Town of Orange, Virginia, as of and for the year ended June 30, 2018, 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, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 13 to the financial statements, in 2018, the Town adopted new accounting guidance, GASB Statement Nos. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and 85 *Omnibus 2017*. Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 13 to the financial statements, in 2018, the Town restated beginning balances to reflect the requirements of GASB Statement No. 75. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding, on pages 4-9, 89 and 90-101 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 27, 2018, 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 27, 2018

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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, 2018. 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 \$22.7 million (*net position*). Of this amount, \$1.1 million (*unrestricted net position*) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$41,760, of which the governmental activities accounted for an increase of \$415,566 and business-type activities accounted for a decrease of \$373,806.
- The total ending fund balance for the Town's governmental funds is \$3,585,972, an increase of \$765,958 over the prior year. The ending fund balance of the general fund was \$3,538,291 and is equal to 64% of the Town's fiscal year 2018 general fund expenditures.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3.5 million, or 77% of general fund expenditures less any capital outlay projects funded with bond proceeds.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains 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 88 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 89 through 101 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 \$22.7 million at the close of the most recent fiscal year. A large portion of the Town's net position (\$21.5 million, 95% 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:

<p style="text-align: center;">Town of Orange, Virginia Summary of Net Position As of June 30, 2018 and June 30, 2017</p>						
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 4,040,582	\$ 3,255,820	\$ 243,599	\$ 533,157	\$ 4,284,181	\$ 3,788,977
Capital assets	7,634,162	7,993,230	28,921,630	29,850,144	36,555,792	37,843,374
Total assets	\$ 11,674,744	\$ 11,249,050	\$ 29,165,229	\$ 30,383,301	\$ 40,839,973	\$ 41,632,351
Deferred outflows of resources	\$ 418,038	\$ 425,224	\$ 115,152	\$ 154,098	\$ 533,190	\$ 579,322
Long-term liabilities outstanding	\$ 3,135,626	\$ 3,046,961	\$ 14,659,686	\$ 15,625,685	\$ 17,795,312	\$ 18,672,646
Other liabilities	94,848	64,304	163,677	131,135	258,525	195,439
Total liabilities	\$ 3,230,474	\$ 3,111,265	\$ 14,823,363	\$ 15,756,820	\$ 18,053,837	\$ 18,868,085
Deferred inflows of resources	\$ 517,390	\$ 343,160	\$ 75,902	\$ -	\$ 593,292	\$ 343,160
Net investment in capital assets	\$ 6,646,598	\$ 6,812,449	\$ 14,863,253	\$ 14,907,763	\$ 21,509,851	\$ 21,720,212
Restricted	108,919	108,489	-	-	108,919	108,489
Unrestricted	1,589,401	1,298,911	(482,137)	(127,184)	1,107,264	1,171,727
Total net position	\$ 8,344,918	\$ 8,219,849	\$ 14,381,116	\$ 14,780,579	\$ 22,726,034	\$ 23,000,428

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

As noted previously, the Town's overall (government and business-type activities) net position increased by \$41,760 during the current fiscal year. The overall decrease is attributed to an increase in operating and capital grant revenues in the governmental funds.

Government-wide Financial Analysis: (Continued)

Governmental activities increased the Town's net position by \$415,566. 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, 2018 and June 30, 2017</p>						
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 568,155	\$ 575,814	\$ 2,927,759	\$ 2,814,777	\$ 3,495,914	\$ 3,390,591
Operating grants and contributions	2,228,546	1,155,760	-	-	2,228,546	1,155,760
Capital grants and contributions	-	102,032	18,330	207,644	18,330	309,676
General revenues:						
Property taxes	869,356	878,002	-	-	869,356	878,002
Other taxes	2,256,460	2,110,096	-	-	2,256,460	2,110,096
Unrestricted revenues from the use of money and property	12,490	11,622	3,250	1,618	15,740	13,240
Miscellaneous	23,657	12,977	60,737	61,634	84,394	74,611
Grants and contributions not restricted to specific programs	309,463	308,556	-	-	309,463	308,556
Gain on sale of surplus property	6,705	34,126	-	-	6,705	34,126
Total revenues	\$ 6,274,832	\$ 5,188,985	\$ 3,010,076	\$ 3,085,673	\$ 9,284,908	\$ 8,274,658
Expenses:						
General government administration	\$ 1,107,261	\$ 875,454	\$ -	\$ -	\$ 1,107,261	\$ 875,454
Public safety	1,554,318	1,527,727	-	-	1,554,318	1,527,727
Public works	2,743,120	2,653,300	-	-	2,743,120	2,653,300
Parks, recreation and cultural	50,018	47,917	-	-	50,018	47,917
Community development	355,054	355,813	-	-	355,054	355,813
Interest on long-term obligations	49,495	51,715	-	-	49,495	51,715
Water fund	-	-	1,596,581	1,511,899	1,596,581	1,511,899
Sewer fund	-	-	1,787,301	1,837,446	1,787,301	1,837,446
Total expenses	\$ 5,859,266	\$ 5,511,926	\$ 3,383,882	\$ 3,349,345	\$ 9,243,148	\$ 8,861,271
Increase (decrease) in net position	\$ 415,566	\$ (322,941)	\$ (373,806)	\$ (263,672)	\$ 41,760	\$ (586,613)
Net position - beginning of year, as restated	\$ 7,929,352	\$ 8,542,790	\$ 14,754,922	\$ 15,044,251	\$ 22,684,274	\$ 23,587,041
Net position - end of year	\$ 8,344,918	\$ 8,219,849	\$ 14,381,116	\$ 14,780,579	\$ 22,726,034	\$ 23,000,428

Amounts for 2017 do not reflect the restatement of net position made for 2018.

Business-type activities decreased the Town's net position by \$373,806. 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 2018, the General Fund's operating expenditures exceeded revenues by \$793,734.

At the end of the current fiscal year, unassigned fund balance of the General Fund was \$3,503,942. Nonspendable fund balance was \$34,349 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 (\$482,137). The total net position decreased by \$373,806 from the prior year.

General Fund Budgetary Highlights

During the fiscal year, the Town's actual revenue was over budget by \$195,496 with the surplus generated by other local taxes. Expenditures were under budget by \$598,238.

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, 2018, amounts to \$36.6 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and machinery and equipment as well as construction in progress.

Town of Orange, Virginia Capital Assets (net of depreciation) As of June 30, 2018 and June 30, 2017

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 984,466	\$ 967,466	\$ 248,292	\$ 248,292	\$ 1,232,758	\$ 1,215,758
Wastewater treatment plant	-	-	20,780,364	21,263,628	20,780,364	21,263,628
Buildings	2,002,428	2,063,223	2,097,962	2,186,837	4,100,390	4,250,060
Equipment and improvements	420,420	487,693	3,178,282	3,439,477	3,598,702	3,927,170
Road systems	4,076,851	4,399,871	-	-	4,076,851	4,399,871
Water storage facility	-	-	2,616,730	2,711,910	2,616,730	2,711,910
Construction in progress	149,997	74,977	-	-	149,997	74,977
Total	\$ 7,634,162	\$ 7,993,230	\$ 28,921,630	\$ 29,850,144	\$ 36,555,792	\$ 37,843,374

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 \$17.6 million and details are summarized in the following table:

**Town of Orange, Virginia
Outstanding Obligations
As of June 30, 2018 and June 30, 2017**

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Bonds Payable:						
General obligation bonds	\$ 1,026,950	\$ 1,163,250	\$ 2,678,049	\$ 2,911,749	\$ 3,704,999	\$ 4,074,999
Revenue bonds	-	-	11,380,327	12,030,632	11,380,327	12,030,632
Notes payable	163,008	-	-	-	163,008	-
Capital lease	-	68,671	-	-	-	68,671
Net pension liability	1,327,381	1,499,137	458,373	551,129	1,785,754	2,050,266
Net OPEB liabilities	457,361	168,977	81,269	62,023	538,630	231,000
Compensated absences	160,926	146,926	61,668	70,152	222,594	217,078
Total	<u>\$ 3,135,626</u>	<u>\$ 3,046,961</u>	<u>\$ 14,659,686</u>	<u>\$ 15,625,685</u>	<u>\$ 17,795,312</u>	<u>\$ 18,672,646</u>

Amounts for 2017 do not reflect the restatement of net position made for 2018.

Debt associated with governmental activities increased by \$88,665 while debt associated with business-type activities decreased by \$965,999.

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, 2018.

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 2018 is \$.175 per \$100 of assessed value and personal property is \$.83 per \$100 of assessed value. The fiscal year 2019 budget was approved by Town Council on May 21, 2018. The general government fiscal year 2019 budget totaled \$4.968 million including \$468,560 for capital outlay.

Requests for Information

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

Basic Financial Statements

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Government-wide Financial Statements

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Statement of Net Position

As of June 30, 2018

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
Cash and cash equivalents	\$ 3,053,476	\$ -	\$ 3,053,476
Receivables (net of allowance for uncollectibles):			
Taxes receivable	367,226	-	367,226
Other local receivables	180,265	-	180,265
Accounts receivable	-	421,972	421,972
Internal balances	160,000	(160,000)	-
Due from other governmental units	136,347	3,150	139,497
Prepaid items	34,349	9,990	44,339
Restricted assets:			
Cash and cash equivalents	108,919	88,535	197,454
Capital assets (net of accumulated depreciation):			
Land	984,466	248,292	1,232,758
Wastewater treatment plant	-	20,780,364	20,780,364
Buildings	2,002,428	2,097,962	4,100,390
Equipment and improvements	420,420	3,178,282	3,598,702
Water storage facility	-	2,616,730	2,616,730
Road systems	4,076,851	-	4,076,851
Construction in progress	149,997	-	149,997
Total assets	\$ 11,674,744	\$ 29,285,277	\$ 40,960,021
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	\$ 39,386	\$ -	\$ 39,386
Items related to net pension liability	345,279	113,357	458,636
Items related to net OPEB liabilities	33,373	1,795	35,168
Total deferred outflows of resources	\$ 418,038	\$ 115,152	\$ 533,190
LIABILITIES			
Accounts payable	\$ 36,767	\$ 46,914	\$ 83,681
Accrued liabilities	49,416	-	49,416
Accrued interest payable	8,665	28,228	36,893
Bank overdraft payable	-	120,048	120,048
Deposits held	-	88,535	88,535
Long-term liabilities:			
Due within one year	172,855	892,821	1,065,676
Due in more than one year	2,962,771	13,766,865	16,729,636
Total liabilities	\$ 3,230,474	\$ 14,943,411	\$ 18,173,885
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue-property taxes	\$ 320,199	\$ -	\$ 320,199
Items related to net pension liability	147,279	68,394	215,673
Items related to net OPEB liabilities	49,912	7,508	57,420
Total deferred inflows of resources	\$ 517,390	\$ 75,902	\$ 593,292
NET POSITION			
Net investment in capital assets	\$ 6,646,598	\$ 14,863,253	\$ 21,509,851
Restricted for:			
Taylor park fund	108,919	-	108,919
Unrestricted	1,589,401	(482,137)	1,107,264
Total net position	\$ 8,344,918	\$ 14,381,116	\$ 22,726,034

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, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 1,107,261	\$ 325,716	\$ -	\$ -
Public safety	1,554,318	75,938	131,214	25,000
Public works	2,743,120	163,491	2,030,055	37,777
Parks, recreation, and cultural	50,018	-	4,500	-
Community development	355,054	3,010	-	-
Interest on long-term debt	49,495	-	-	-
Total governmental activities	\$ 5,859,266	\$ 568,155	\$ 2,165,769	\$ 62,777
Business-type activities:				
Water	\$ 1,596,581	\$ 1,252,490	\$ -	\$ 6,000
Sewer	1,787,301	1,675,269	-	12,330
Total business-type activities	\$ 3,383,882	\$ 2,927,759	\$ -	\$ 18,330
Total primary government	\$ 9,243,148	\$ 3,495,914	\$ 2,165,769	\$ 81,107

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

Total general revenues

Change in net position

Net position - beginning, as restated

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
\$ (781,545)	\$ -	\$ (781,545)
(1,322,166)	-	(1,322,166)
(511,797)	-	(511,797)
(45,518)	-	(45,518)
(352,044)	-	(352,044)
(49,495)	-	(49,495)
<u>\$ (3,062,565)</u>	<u>\$ -</u>	<u>\$ (3,062,565)</u>
\$ -	\$ (338,091)	\$ (338,091)
<u>-</u>	<u>(99,702)</u>	<u>(99,702)</u>
\$ -	\$ (437,793)	\$ (437,793)
<u>\$ (3,062,565)</u>	<u>\$ (437,793)</u>	<u>\$ (3,500,358)</u>
\$ 869,356	\$ -	\$ 869,356
229,204	-	229,204
234,574	-	234,574
202,282	-	202,282
1,199,380	-	1,199,380
189,699	-	189,699
88,200	-	88,200
113,121	-	113,121
12,490	3,250	15,740
23,657	60,737	84,394
309,463	-	309,463
6,705	-	6,705
<u>\$ 3,478,131</u>	<u>\$ 63,987</u>	<u>\$ 3,542,118</u>
\$ 415,566	\$ (373,806)	\$ 41,760
<u>7,929,352</u>	<u>14,754,922</u>	<u>22,684,274</u>
<u>\$ 8,344,918</u>	<u>\$ 14,381,116</u>	<u>\$ 22,726,034</u>

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Fund Financial Statements

Balance Sheet
Governmental Funds
As of June 30, 2018

	General	Taylor Park	Capital Projects	Total
ASSETS				
Cash and cash equivalents (Note 1)	\$ 3,111,646	\$ -	\$ -	\$ 3,111,646
Receivables (net of allowance for uncollectibles):				
Taxes receivable (Note 1)	367,226	-	-	367,226
Other local revenues	180,265	-	-	180,265
Due from other funds	160,000	-	-	160,000
Due from other governmental units (Note 3)	136,347	-	-	136,347
Prepaid items	34,349	-	-	34,349
Restricted assets:				
Cash and cash equivalents	-	108,919	-	108,919
Total assets	<u>\$ 3,989,833</u>	<u>\$ 108,919</u>	<u>\$ -</u>	<u>\$ 4,098,752</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 33,699	\$ -	\$ 3,068	\$ 36,767
Accrued liabilities	49,416	-	-	49,416
Fund overdraft payable	-	-	58,170	58,170
Total liabilities	<u>\$ 83,115</u>	<u>\$ -</u>	<u>\$ 61,238</u>	<u>\$ 144,353</u>
Deferred inflows of resources:				
Unavailable revenue - property taxes	<u>\$ 368,427</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 368,427</u>
Fund balances:				
Nonspendable:				
Prepaid items	\$ 34,349	\$ -	\$ -	\$ 34,349
Restricted:				
Taylor Park fund	-	108,919	-	108,919
Unassigned	<u>3,503,942</u>	<u>-</u>	<u>(61,238)</u>	<u>3,442,704</u>
Total fund balances	<u>\$ 3,538,291</u>	<u>\$ 108,919</u>	<u>\$ (61,238)</u>	<u>\$ 3,585,972</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 3,989,833</u>	<u>\$ 108,919</u>	<u>\$ -</u>	<u>\$ 4,098,752</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, 2018

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds		\$	3,585,972
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			7,634,162
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			48,228
Interest paid on long-term debt is not accrued in governmental funds, but rather is recognized when paid.			(8,665)
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	\$	39,386	
Items related to net pension liability - deferred outflows		345,279	
Items related to net OPEB liabilities - deferred outflows		<u>33,373</u>	418,038
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.			
General obligations bonds		(1,026,950)	
Notes payable		(163,008)	
Net pension liability		(1,327,381)	
Net OPEB liabilities		(457,361)	
Compensated absences		<u>(160,926)</u>	(3,135,626)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.			
Items related to net pension liability - deferred inflows		(147,279)	
Items related to net OPEB liabilities - deferred inflows		<u>(49,912)</u>	<u>(197,191)</u>
Net position of governmental activities		\$	<u><u>8,344,918</u></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, 2018

	General	Taylor Park	Capital Projects	Total
REVENUES				
General property taxes	\$ 875,217	\$ -	\$ -	\$ 875,217
Other local taxes	2,256,460	-	-	2,256,460
Permits, privilege fees, and regulatory licenses	3,010	-	-	3,010
Fines and forfeitures	75,938	-	-	75,938
Revenue from the use of money and property	12,060	430	-	12,490
Charges for services	163,491	-	-	163,491
Miscellaneous	30,261	-	100	30,361
Recovered costs	26,448	-	-	26,448
Revenue from internal sources	325,716	-	-	325,716
Intergovernmental:				
Commonwealth	2,499,426	-	10,380	2,509,806
Federal	25,000	-	3,203	28,203
Total revenues	\$ 6,293,027	\$ 430	\$ 13,683	\$ 6,307,140
EXPENDITURES				
Current:				
General government administration	\$ 719,645	\$ -	\$ -	\$ 719,645
Public safety	1,575,768	-	-	1,575,768
Public works	1,613,496	-	-	1,613,496
Parks, recreation, and cultural	28,724	-	-	28,724
Community development	121,418	-	-	121,418
Nondepartmental	217,970	-	-	217,970
Capital outlay	974,970	-	41,889	1,016,859
Debt service:				
Principal retirement	223,086	-	-	223,086
Interest and other fiscal charges	24,216	-	-	24,216
Total expenditures	\$ 5,499,293	\$ -	\$ 41,889	\$ 5,541,182
Excess (deficiency) of revenues over (under) expenditures	\$ 793,734	\$ 430	\$ (28,206)	\$ 765,958
Fund balances - beginning	2,744,557	108,489	(33,032)	2,820,014
Fund balances - ending	\$ 3,538,291	\$ 108,919	\$ (61,238)	\$ 3,585,972

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, 2018

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

Net change in fund balances - total governmental funds	\$	765,958
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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	\$	235,608	
Depreciation expense		<u>(594,676)</u>	(359,068)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(5,861)
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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	136,300	
Principal retired on notes payable	18,115	
Issuance of note payable	(181,123)	
Payments on capital lease	<u>68,671</u>	41,963

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	1,628	
Change in compensated absences	(14,000)	
Pension expense	11,126	
OPEB expense	(14,426)	
Amortization of deferred charge on refunding	<u>(11,754)</u>	<u>(27,426)</u>

Change in net position of governmental activities	\$	<u><u>415,566</u></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, 2018

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 672,681	\$ -	\$ 672,681
Accounts receivable (net of allowances for uncollectibles)	181,778	240,194	421,972
Restricted assets:			
Cash and cash equivalents	88,535	-	88,535
Due from other governmental units	-	3,150	3,150
Prepaid items	2,860	7,130	9,990
Total current assets	\$ 945,854	\$ 250,474	\$ 1,196,328
Noncurrent assets:			
Capital assets (net of accumulated depreciation):			
Land	\$ 160,251	\$ 88,041	\$ 248,292
Waste water treatment plant	-	20,780,364	20,780,364
Buildings	541,735	1,556,227	2,097,962
Equipment and improvements	1,936,453	1,241,829	3,178,282
Water storage facility	2,616,730	-	2,616,730
Total capital assets, net	\$ 5,255,169	\$ 23,666,461	\$ 28,921,630
Total assets	\$ 6,201,023	\$ 23,916,935	\$ 30,117,958
DEFERRED OUTFLOWS OF RESOURCES			
Items related to net pension liability	\$ 52,698	\$ 60,659	\$ 113,357
Items related to net OPEB liabilities	840	955	1,795
Total deferred outflows of resources	\$ 53,538	\$ 61,614	\$ 115,152
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	\$ 18,087	\$ 28,827	\$ 46,914
Accrued interest payable	20,669	7,559	28,228
Bank overdraft payable	-	792,729	792,729
Deposits held	88,535	-	88,535
Compensated absences, current portion	2,993	3,174	6,167
Bonds payable, current portion	115,400	771,254	886,654
Total current liabilities	\$ 245,684	\$ 1,603,543	\$ 1,849,227
Noncurrent liabilities:			
Due to other funds	\$ 160,000	\$ -	\$ 160,000
Net pension liability	211,852	246,521	458,373
Net OPEB liabilities	41,412	39,857	81,269
Compensated absences, net of current portion	26,931	28,569	55,500
Bonds payable, net of current portion	1,666,800	11,504,923	13,171,723
Total noncurrent liabilities	\$ 2,106,995	\$ 11,819,870	\$ 13,926,865
Total liabilities	\$ 2,352,679	\$ 13,423,413	\$ 15,776,092
DEFERRED INFLOWS OF RESOURCES			
Items related to net pension liability	\$ 23,162	\$ 45,232	\$ 68,394
Items related to net OPEB liabilities	3,745	3,763	7,508
Total deferred inflows of resources	\$ 26,907	\$ 48,995	\$ 75,902
NET POSITION			
Net investment in capital assets	\$ 3,472,969	\$ 11,390,284	\$ 14,863,253
Unrestricted	402,006	(884,143)	(482,137)
Total net position	\$ 3,874,975	\$ 10,506,141	\$ 14,381,116

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, 2018

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
OPERATING REVENUES			
Charges for services:			
Charges for services and connection fees	\$ 1,252,490	\$ 1,675,269	\$ 2,927,759
Miscellaneous	38,142	22,595	60,737
Total operating revenues	\$ 1,290,632	\$ 1,697,864	\$ 2,988,496
OPERATING EXPENSES			
Personal services	\$ 313,692	\$ 358,063	\$ 671,755
Fringe benefits	152,822	150,961	303,783
Contractual services/maintenance	73,419	57,990	131,409
Materials and supplies	434,432	265,238	699,670
Utilities	133,263	119,981	253,244
Internal services	178,164	147,552	325,716
Other charges	100	34	134
Depreciation	259,612	668,902	928,514
Total operating expenses	\$ 1,545,504	\$ 1,768,721	\$ 3,314,225
Operating income (loss)	\$ (254,872)	\$ (70,857)	\$ (325,729)
NONOPERATING REVENUES (EXPENSES)			
Interest earned	\$ 3,250	\$ -	\$ 3,250
Interest and fiscal charges	(51,077)	(18,580)	(69,657)
Total nonoperating revenues (expenses)	\$ (47,827)	\$ (18,580)	\$ (66,407)
Income (loss) before capital contributions, grants, and transfers	\$ (302,699)	\$ (89,437)	\$ (392,136)
Capital contributions and grants	\$ 6,000	\$ 12,330	\$ 18,330
Change in net position	\$ (296,699)	\$ (77,107)	\$ (373,806)
Net position - beginning, as restated	4,171,674	10,583,248	14,754,922
Net position - ending	\$ 3,874,975	\$ 10,506,141	\$ 14,381,116

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

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,287,626	\$ 1,695,607	\$ 2,983,233
Payments to suppliers	(811,324)	(413,758)	(1,225,082)
Payments to and on behalf of employees	(462,949)	(505,392)	(968,341)
Net cash provided by (used for) operating activities	\$ 13,353	\$ 776,457	\$ 789,810
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital contributions	\$ 6,000	\$ 12,330	\$ 18,330
Principal payments on bonds	(114,800)	(769,204)	(884,004)
Interest payments	(52,342)	(19,583)	(71,925)
Net cash provided by (used for) capital and related financing activities	\$ (161,142)	\$ (776,457)	\$ (937,599)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	\$ 3,250	\$ -	\$ 3,250
Net increase (decrease) in cash and cash equivalents	\$ (144,539)	\$ -	\$ (144,539)
Cash and cash equivalents - beginning	905,755	-	905,755
Cash and cash equivalents - ending	\$ 761,216	\$ -	\$ 761,216
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (254,872)	\$ (70,857)	\$ (325,729)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation expense	259,612	668,902	928,514
Changes in operating assets, deferred outflows of resources, liabilities, and deferred inflows of resources:			
(Increase) decrease in receivables	(9,445)	(2,257)	(11,702)
(Increase) decrease in due from other governmental units	-	(3,150)	(3,150)
(Increase) decrease in prepaid items	60	66	126
(Increase) decrease in deferred outflows of resources	10,538	31,194	41,732
Increase (decrease) in accounts payable and accrued expenses	7,994	20,377	28,371
Increase (decrease) in bank overdraft payable	-	159,744	159,744
Increase (decrease) in deposits held	6,439	-	6,439
Increase (decrease) in net pension liability	(30,445)	(62,311)	(92,756)
Increase (decrease) in net OPEB liabilities	(2,546)	(6,650)	(9,196)
Increase (decrease) in compensated absences	(889)	(7,596)	(8,485)
Increase (decrease) in deferred inflows of resources	26,907	48,995	75,902
Net cash provided by (used for) operating activities	\$ 13,353	\$ 776,457	\$ 789,810

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

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018

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

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

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board (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.

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

D. Budgets and Budgetary Accounting

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

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

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (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	
Administration	\$ 822
Public Safety	120,731
Nondepartmental	14,674
Debt Service	35,043
Total	<u>\$ 171,270</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, 2018, the allowances amounted to \$8,945 for property taxes, \$78,303 for water charges and \$106,524 for sewer charges.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

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

F. Cash and Cash Equivalents

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

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

G. Restricted Assets

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

H. Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Interest attributable to capitalized assets for the year ended June 30, 2018 was immaterial.

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

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

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 three 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 deferred outflows of resources are comprised of certain items related to of the net pension and OPEB liabilities. These include current year contributions subsequent to the measurement date, differences between expected and actual experience, changes in assumptions, changes in proportionate share, and the net difference between projected and actual earnings on plan investments. For more detailed information on the pension and OPEB items, reference Notes 7 and 12.

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 three 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 net pension and OPEB liabilities are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, change in proportionate share, and the net difference between projected and actual earnings on investments. For more detailed information on the pension and OPEB items, reference Notes 7 and 12.

J. Compensated Absences

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

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

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

K. Long-term Obligations

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

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

L. Property Taxes

Real property is assessed by Orange County, Virginia at its value on January 1 and is payable 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

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

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

P. Net Position Flow Assumption

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

Q. Investments

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

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

R. Fund Equity

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

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

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

R. Fund Equity: (Continued)

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

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

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

S. Pensions

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

T. Other Postemployment Benefits (OPEB)

Group Life Insurance

The Virginia Retirement System (VRS) Group Life Insurance (GLI) Program provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI Program 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. The GLI Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net GLI Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI Program OPEB and the additions to/deductions from the VRS GLI OPEB's 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.

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

T. Other Postemployment Benefits (OPEB): (Continued)

Line of Duty Act Program

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

U. Upcoming Pronouncements

Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

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

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

U. 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 December 15, 2019.

Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, clarifies which liabilities governments should include when disclosing information related to debt. It defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, it requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS:

Deposits:

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

Investments:

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

Custodial Credit Risk (Investments):

The Town does not have an investment policy.

The Town's investments at June 30, 2018 were held by the Town or in the Town's name by the Town's custodial banks.

Town's Rated Debt Investments			
Rated Debt Investments Value	Fair Quality Ratings		
	AAAm	AAf/S1	
Local Government Investment Pool	\$ 8,747	\$ -	
Virginia Investment Pool	355,298	149,895	
Total	\$ 364,045	\$ 149,895	

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

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	\$ 8,747	\$ 8,747	\$ -
Virginia Investment Pool	505,193	355,298	149,895
Total investments	<u>\$ 513,940</u>	<u>\$ 364,045</u>	<u>\$ 149,895</u>

* Weighted average maturity in years.

External Investment Pools:

The fair value of the positions in the external investment (Local Government Investment Pool and Virginia 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 and VIP are amortized cost basis portfolios under the provisions of GASB Statement No. 79. There are no withdrawal limitations or restrictions imposed on participants.

NOTE 3—DUE FROM OTHER GOVERNMENTS:

Commonwealth of Virginia:	
Communications tax	\$ 25,940
Auto rental tax	6,839
Highway construction	63,139
Nutrient exchange	3,150
County of Orange:	
Local Sales Tax	<u>40,429</u>
Total	<u>\$ 139,497</u>

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

NOTE 4—CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2018 was as follows:

	Balance June 30, 2017		Additions		Retirements		Balance June 30, 2018
Governmental Activities:							
Capital assets, not being depreciated:							
Land	\$ 967,466	\$	17,000	\$	-	\$	984,466
Construction in progress	74,977		75,020		-		149,997
Total capital assets, not being depreciated	\$ 1,042,443	\$	92,020	\$	-	\$	1,134,463
Capital assets, being depreciated:							
Buildings	\$ 3,125,805	\$	-	\$	-	\$	3,125,805
Equipment and improvements	3,006,675		143,588		-		3,150,263
Road systems	6,271,994		-		-		6,271,994
Total capital assets being depreciated	\$ 12,404,474	\$	143,588	\$	-	\$	12,548,062
Less accumulated depreciation for:							
Buildings	\$ (1,062,582)	\$	(60,795)	\$	-	\$	(1,123,377)
Equipment and improvements	(2,518,982)		(210,861)		-		(2,729,843)
Road systems	(1,872,123)		(323,020)		-		(2,195,143)
Total accumulated depreciation	\$ (5,453,687)	\$	(594,676)	\$	-	\$	(6,048,363)
Total capital assets, being depreciated, net	\$ 6,950,787	\$	(451,088)	\$	-	\$	6,499,699
Governmental activities capital assets, net	\$ 7,993,230	\$	(359,068)	\$	-	\$	7,634,162

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

NOTE 4—CAPITAL ASSETS: (CONTINUED)

	Balance June 30, 2017	Additions	Retirements	Balance June 30, 2018
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	10,877,325	-	-	10,877,325
Water storage facility	3,807,196	-	-	3,807,196
Total capital assets being depreciated	\$ 43,279,088	\$ -	\$ -	\$ 43,279,088
Less accumulated depreciation for:				
Buildings	\$ (2,244,516)	\$ (88,874)	\$ -	\$ (2,333,390)
Wastewater treatment plant	(2,899,586)	(483,264)	-	(3,382,850)
Equipment and improvements	(7,437,848)	(261,195)	-	(7,699,043)
Water storage facility	(1,095,286)	(95,181)	-	(1,190,467)
Total accumulated depreciation	\$ (13,677,236)	\$ (928,514)	\$ -	\$ (14,605,750)
Total capital assets, being depreciated, net	\$ 29,601,852	\$ (928,514)	\$ -	\$ 28,673,338
Business-type activities capital assets, net	\$ 29,850,144	\$ (928,514)	\$ -	\$ 28,921,630

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

NOTE 4—CAPITAL ASSETS: (CONTINUED)

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

Governmental activities:

General government administration	\$	166,956
Public safety		56,889
Public works		367,537
Parks, recreation and cultural		<u>3,294</u>

Total depreciation expense - governmental activities	\$	<u><u>594,676</u></u>
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Business-type activities:

Water	\$	259,612
Sewer		<u>668,902</u>

Total depreciation expense - business-type activities	\$	<u><u>928,514</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, 2018:

	June 30, 2017, as restated	Issuances/ Increases	Retirements/ Decreases	Balance June 30, 2018
General Obligation Bonds	\$ 1,163,250	\$ -	\$ 136,300	\$ 1,026,950
Capital Lease	68,671	-	68,671	-
Notes Payable	-	181,123	18,115	163,008
Net Pension Liability (Note 7)	1,499,137	795,177	966,933	1,327,381
Net OPEB Liabilities (Note 12)	476,688	46,296	65,623	457,361
Compensated Absences (Note 6)	146,926	14,000	-	160,926
Total	<u>\$ 3,354,672</u>	<u>\$ 1,036,596</u>	<u>\$ 1,255,642</u>	<u>\$ 3,135,626</u>

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (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,	Bonds	
	Principal	Interest
2019	\$ 138,650	\$ 19,631
2020	141,000	16,765
2021	143,350	13,850
2022	148,050	10,863
2023	150,400	4,984
2024-2027	305,500	6,312
Total	\$ 1,026,950	\$ 72,405

Details of Long-term Obligations:

	Total Amount	Amount Due Within One Year
\$1,445,250 General obligation bonds issued July 22, 2013 payable in annual principal payments beginning August 1, 2014 ranging from \$18,800 to \$155,100 and semi-annual interest payments at 2.05%. Final payment due August 1, 2024.	\$ 1,026,950	\$ 138,650
\$181,123 Note payable to County of Orange, Virginia. Payments of \$18,112 due annually through 2027, bearing interest at 0%.	163,008	18,112
Net pension liability (Note 7)	1,327,381	-
Compensated absences (Note 6)	160,926	16,093
Net OPEB liabilities (Note 12)	457,361	-
Total governmental activities long-term obligations	\$ 3,135,626	\$ 172,855

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

NOTE 5—LONG-TERM OBLIGATIONS: (CONTINUED)

Governmental Activities: (Continued)

The assets acquired through capital leases are as follows:

Asset:	
Equipment	\$ 147,655
Less: Accumulated depreciation	(118,124)
Total	<u>\$ 29,531</u>

Business-type Activities:

Changes in Long-term Obligations:

	June 30, 2017, as restated	Issuances/ Increases	Retirements/ Decreases	Balance June 30, 2018
General Obligation Bonds	\$ 2,911,749	\$ -	\$ 233,700	\$ 2,678,049
Revenue Bonds	12,030,632	-	650,305	11,380,327
Net Pension Liability (Note 7)	551,129	266,942	359,698	458,373
Net OPEB Liabilities (Note 12)	90,465	3,947	13,143	81,269
Compensated Absences (Note 6)	70,152	-	8,484	61,668
Total	<u>\$ 15,654,127</u>	<u>\$ 270,889</u>	<u>\$ 1,265,330</u>	<u>\$ 14,659,686</u>

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

Year Ending June 30,	Principal	Interest
2019	\$ 886,654	\$ 66,387
2020	889,304	60,795
2021	891,954	55,148
2022	907,254	49,347
2023	909,904	40,062
2024-2028	4,076,022	138,392
2029-2033	3,811,522	55,386
2034-2036	1,685,762	885
Total	<u>\$ 14,058,376</u>	<u>\$ 466,402</u>

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (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>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.	\$ 11,380,327	\$ 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.	1,158,049	120,950
\$1,845,000 General obligation bonds issued July 22, 2013 payable in semi-annual principal payments beginning February 1, 2014 ranging from \$35,000 to \$60,000 and semi-annual interest payments at 2.95%. Final payment due August 1, 2033.	1,520,000	115,400
Total bonds payable	\$ 14,058,376	\$ 886,654
Net pension liability (Note 7)	\$ 458,373	-
Compensated absences (Note 6)	61,668	6,167
Net OPEB liabilities (Note 12)	81,269	-
Total business-type long-term obligations	\$ 14,659,686	\$ 892,821

NOTE 6—COMPENSATED ABSENCES:

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

Town employees earn annual leave at various rates. No benefits or pay is received for unused sick leave upon termination. Accumulated vacation and banked holidays are paid upon termination up to a maximum of 240 hours. The Town's general fund has outstanding accrued leave pay totaling \$160,926 and the Enterprise Funds have outstanding accrued leave pay of \$61,668.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

NOTE 7—PENSION PLAN:

Plan Description

All full-time, salaried permanent employees of the Town 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.

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. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</p>	<p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none"> • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 (Cont.)</p>	<p>About Plan 2 (Cont.)</p>	<p>About the Hybrid Retirement Plan (Cont.)</p> <ul style="list-style-type: none"> • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.</p> <p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>*Non-Eligible Members (Cont.) Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.</p>	<p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Creditable Service Same as Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u>Defined Contribution Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contribution Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting (Cont.)	Vesting (Cont.)	<p>Vesting (Cont.) <u>Defined Contribution Component: (Cont.)</u></p> <ul style="list-style-type: none"> • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>
<p>Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1.</p> <p><u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p> <p>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p>Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p>Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p> <p>Sheriffs and regional jail superintendents: Same as Plan 1.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Service Retirement Multiplier Defined Benefit Component: VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>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.</p> <p>Sheriffs and regional jail superintendents: Not applicable.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: Not applicable.</p>
<p>Normal Retirement Age VRS: Age 65.</p> <p>Political subdivisions hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Normal Retirement Age Defined Benefit Component: VRS: Same as Plan 2.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Reduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. 	<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><u>Eligibility:</u> Same as Plan 1.</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates: (Cont.)</u></p> <ul style="list-style-type: none"> • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates: (Cont.)</u></p> <p>Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates: (Cont.)</u></p> <p>Same as Plan 1 and Plan 2.</p>
<p>Disability Coverage</p> <p>Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage</p> <p>Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage</p> <p>Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p>

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Disability Coverage (Cont.)	Disability Coverage (Cont.)	Disability Coverage (Cont.) Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	Purchase of Prior Service Same as Plan 1.	Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions: <ul style="list-style-type: none"> Hybrid Retirement Plan members are ineligible for ported service. <u>Defined Contribution Component:</u> Not applicable.

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-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, 2018 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

Employees Covered by Benefit Terms

As of the June 30, 2016 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	34
Inactive members:	
Vested inactive members	16
Non-vested inactive members	19
Inactive members active elsewhere in VRS	<u>50</u>
Total inactive members	85
Active members	<u>47</u>
Total covered employees	<u><u>166</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. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The Town's contractually required employer contribution rate for the year ended June 30, 2018 was 13.27% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

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 \$301,386 and \$289,371 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net Pension Liability

The Town's net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (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, 2016, 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, 2017.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	7.0%, net of pension plan investment expenses, including inflation*

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees (Continued)

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

Largest 10 - Non-Hazardous Duty:

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

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

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

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with hazardous duty benefits in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2016, 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, 2017.

Inflation	2.5%
Salary increases, including inflation	3.5% - 4.75%
Investment rate of return	7.0%, net of pension plan investment expenses, including inflation*

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

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

Mortality rates: (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Largest 10 - Hazardous Duty:

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
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

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% to 45%

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (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:

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the employer for the Town Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed 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.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

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, 2016	\$ 8,194,609	\$ 6,144,343	\$ 2,050,266
Changes for the year:			
Service cost	\$ 281,532	\$ -	\$ 281,532
Interest	562,059	-	562,059
Changes in assumptions	(149,862)	-	(149,862)
Differences between expected and actual experience	187,833	-	187,833
Contributions - employer	-	284,672	(284,672)
Contributions - employee	-	109,433	(109,433)
Net investment income	-	756,868	(756,868)
Benefit payments, including refunds of employee contributions	(330,387)	(330,387)	-
Administrative expenses	-	(4,217)	4,217
Other changes	-	(680)	680
Net changes	\$ 551,175	\$ 815,689	\$ (264,514)
Balances at June 30, 2017	\$ 8,745,784	\$ 6,960,032	\$ 1,785,752

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

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Town's Net Pension Liability	\$ 3,093,347	\$ 1,785,752	\$ 717,456

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

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

For the year ended June 30, 2018, the Town recognized pension expense of \$306,447. At June 30, 2018, 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	\$ 136,614	\$ -
Changes in assumptions	-	94,967
Changes in proportionate share	20,636	20,636
Net difference between projected and actual earnings on pension plan investments	-	100,070
Employer contributions subsequent to the measurement date	301,386	-
Total	\$ 458,636	\$ 215,673

\$301,386 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2019. 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	
2019	\$ (28,364)
2020	36,257
2021	(1,375)
2022	(64,941)

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 \$366,029 (including 2nd ½ tax billings of \$317,801 not due until December 5) at June 30, 2018.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2017 but paid in advance by the taxpayers totaled \$2,398 at June 30, 2018.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

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.

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—CLAIMS AND ASSESSMENTS:

As reported in the June 30, 2017 audited financial report, the Town and County of Orange were both parties to a disagreement regarding the overpayment of sales tax by the County to the Town. The Town and County entered into a final agreement effective January 2018 providing for a resolution to this matter.

NOTE 12—OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Health Insurance - Pay-As-You-Go:

The Town implemented GASB Statement Number 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* for the fiscal year ending June 30, 2018. This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

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.

NOTE 12—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

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

Benefits Provided

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

Plan Membership

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

Total active employees with coverage	44
Total	44

Contributions

The Town does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the Town. The amount paid by the Town for OPEB as the benefits came due during the year ended June 30, 2018 was \$0.

Total OPEB Liability

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

Actuarial Assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.30% per year as of June 30, 2018
Salary Increases	The salary increase rate starts at 5.35% salary increase for one year of service and gradually declines to 3.50% salary increase for twenty or more years of service.
Discount Rate	3.62% per year as of June 30, 2018

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

NOTE 12—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

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

Actuarial Assumptions: (Continued)

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

The date of the most recent actuarial experience study on which significant assumptions were based is not available.

Discount Rate

The discount rate used to determine the liabilities under GASB 75 is based on an index rate for 20-year tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. This rate was 3.62% as of June 30, 2018.

Changes in Total OPEB Liability

		<u>Total OPEB Liability</u>
Balances at June 30, 2017	\$	134,154
Changes for the year:		
Service cost		8,877
Interest		5,366
Changes in assumptions		(10,766)
Net changes	\$	<u>3,477</u>
Balances at June 30, 2018	\$	<u><u>137,631</u></u>

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

The following amounts present the total OPEB liability of the Town, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.62%) or one percentage point higher (4.62%) than the current discount rate:

	<u>Rate</u>		
	<u>1% Decrease (2.62%)</u>	<u>Current Discount Rate (3.62%)</u>	<u>1% Increase (4.62%)</u>
\$	151,295	\$ 137,631	\$ 124,703

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

NOTE 12—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

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

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 (3.10%)	Current Trend Rate (4.10%)	1% Increase (5.10%)
\$ 117,999	\$ 137,631	\$ 160,983

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

For the year ended June 30, 2018, the Town recognized OPEB expense in the amount of \$12,897. At June 30, 2018, 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
Changes in assumptions	\$ -	\$ 9,420
Total	\$ -	\$ 9,420

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

Year Ended June 30	
2019	\$ (1,346)
2020	(1,346)
2021	(1,346)
2022	(1,346)
2023	(1,346)
Thereafter	(2,690)

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

NOTE 12—OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Group Life Insurance (GLI) Program

Plan Description

All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

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

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below:

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
<p>Eligible Employees</p> <p>The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:</p> <ul style="list-style-type: none"> • City of Richmond • City of Portsmouth • City of Roanoke • City of Norfolk • Roanoke City School Board <p>Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.</p>

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

NOTE 12—OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Group Life Insurance (GLI) Program: (Continued)

Plan Description (Continued)

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS (CONTINUED)
Benefit Amounts <p>The benefits payable under the Group Life Insurance Program have several components.</p> <ul style="list-style-type: none">• <u>Natural Death Benefit</u> - The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.• <u>Accidental Death Benefit</u> - The accidental death benefit is double the natural death benefit.• <u>Other Benefit Provisions</u> - In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:<ul style="list-style-type: none">○ Accidental dismemberment benefit○ Safety belt benefit○ Repatriation benefit○ Felonious assault benefit○ Accelerated death benefit option
Reduction in Benefit Amounts <p>The benefit amounts provided to members covered under the Group Life Insurance Program 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.</p>
Minimum Benefit Amount and Cost-of-Living Adjustment (COLA) <p>For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute. The amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently \$8,111.</p>

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. 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 Program from the entity were \$12,090 and \$11,456 for the years ended June 30, 2018 and June 30, 2017, respectively.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

NOTE 12—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Group Life Insurance (GLI) Program: (Continued)

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

At June 30, 2018, the entity reported a liability of \$180,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the participating employer's proportion was 0.01195% as compared to 0.01227% at June 30, 2016.

For the year ended June 30, 2018, the participating employer recognized GLI OPEB expense of \$1,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, 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	\$ -	\$ 4,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	7,000
Change in assumptions	-	9,000
Changes in proportion	-	5,000
Employer contributions subsequent to the measurement date	<u>12,090</u>	<u>-</u>
Total	<u>\$ 12,090</u>	<u>\$ 25,000</u>

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

NOTE 12—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Group Life Insurance (GLI) Program: (Continued)

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

\$12,090 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, 2019. 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>		
2019	\$	(5,000)
2020		(5,000)
2021		(5,000)
2022		(5,000)
2023		(3,000)
Thereafter		(2,000)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, 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, 2017.

Inflation	2.5%
Salary increases, including inflation:	
General state employees	3.5% - 5.35%
Teachers	3.5%-5.95%
SPORS employees	3.5%-4.75%
VaLORS employees	3.5%-4.75%
JRS employees	4.5%
Locality - General employees	3.5%-5.35%
Locality - Hazardous Duty employees	3.5%-4.75%
Investment rate of return	7.0%, net of investment expenses, including inflation*

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

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

NOTE 12—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Group Life Insurance (GLI) Program: (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - General State Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

NOTE 12—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Group Life Insurance (GLI) Program: (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

NOTE 12—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Group Life Insurance (GLI) Program: (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - SPORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

RP-2014 Disability 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, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

NOTE 12—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Group Life Insurance (GLI) Program: (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - VaLORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

RP-2014 Disability 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, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

NOTE 12—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Group Life Insurance (GLI) Program: (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - JRS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

NOTE 12—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Group Life Insurance (GLI) Program: (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Largest Ten Locality Employers - General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

NOTE 12—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Group Life Insurance (GLI) Program: (Continued)

Actuarial Assumptions: (Continued)

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.

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

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

Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

NOTE 12—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Group Life Insurance (GLI) Program: (Continued)

Actuarial Assumptions: (Continued)

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

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

NOTE 12—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Group Life Insurance (GLI) Program: (Continued)

Actuarial Assumptions: (Continued)

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

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

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

NET GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

		Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$	2,942,426
Plan Fiduciary Net Position		1,437,586
Employers' Net GLI OPEB Liability (Asset)	\$	1,504,840
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		48.86%

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, 2018 (Continued)

NOTE 12—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Group Life Insurance (GLI) Program: (Continued)

Long-Term Expected Rate of Return

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

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

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

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending 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. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

NOTE 12—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Group Life Insurance (GLI) Program: (Continued)

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
Town's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 232,000	\$ 180,000	\$ 137,000

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-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

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 Line of Duty Act Program (LODA). As required by statute, the Virginia Retirement System (the System) is responsible for managing the assets of the program. Participating employers made contributions to the program beginning in FY 2012. The employer contributions are determined by the System's actuary using anticipated program costs and the number of covered individuals associated with all participating employers.

NOTE 12—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Line of Duty Act (LODA) Program: (Continued)*Plan Description: (Continued)*

The specific information for the LODA Program OPEB, including eligibility, coverage and benefits is set out in the table below:

LINE OF DUTY ACT PROGRAM PLAN PROVISIONS
<p>Eligible Employees</p> <p>The eligible employees of the Line of Duty Act Program are 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).</p>
<p>Benefit Amounts</p> <p>The Line of Duty Act Program provides death and health insurance benefits for eligible individuals:</p> <ul style="list-style-type: none"> • <u>Death</u> - The Line of Duty Act program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows: <ul style="list-style-type: none"> ○ \$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. ○ 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. • <u>Health Insurance</u> - The Line of Duty Act program provides health insurance benefits. <ul style="list-style-type: none"> ○ 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 Line of Duty Act.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

NOTE 12—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

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

Contributions

The contribution requirements for the Line of Duty Act 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 Line of Duty Act Program for the year ended June 30, 2018 was \$567.37 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the Line of Duty Act Program from the entity were \$9,078 and \$9,078 for the years ended June 30, 2018 and June 30, 2017.

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

At June 30, 2018, the entity reported a liability of \$221,000 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2017 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of that date. The entity's proportion of the Net LODA OPEB Liability was based on the entity's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2017, the entity's proportion was 0.08417% as compared to 0.07844% at June 30, 2016.

For the year ended June 30, 2018, the entity recognized LODA OPEB expense of \$21,000. Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, 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>
Change in assumptions	\$ -	\$ 23,000
Change in proportion	14,000	-
Employer contributions subsequent to the measurement date	<u>9,078</u>	<u>-</u>
Total	<u>\$ 23,078</u>	<u>\$ 23,000</u>

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

NOTE 12—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)

\$9,078 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, 2019. 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>	
2019	\$ (1,000)
2020	(1,000)
2021	(1,000)
2022	(1,000)
2023	(1,000)
Thereafter	(4,000)

Actuarial Assumptions

The total LODA OPEB liability was based on an actuarial valuation as of June 30, 2016, 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, 2017.

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

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 3.56%. However, since the difference was minimal, a more conservative 3.56% investment return assumption has been used. Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.56% was used since it approximates the risk-free rate of return.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

NOTE 12—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

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

Actuarial Assumptions: (Continued)

Mortality rates - General State Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

NOTE 12—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

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

Actuarial Assumptions: (Continued)

Mortality rates - SPORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

NOTE 12—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

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

Actuarial Assumptions: (Continued)

Mortality rates - VaLORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

NOTE 12—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

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

Actuarial Assumptions: (Continued)

Mortality Rates - Largest Ten Locality Employers with Public Safety Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

NOTE 12—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

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

Actuarial Assumptions: (Continued)

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

Post-Disablement:

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

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

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

Changes to the LODA Program Associated with HB 1345 (2016) and HB 2243 (2017)

The following changes were made to the LODA Program as a result of legislation in 2016 and 2017, but were specifically not considered in the June 30, 2016 actuarial valuation results which were rolled forward to the measurement date of June 30, 2017. There was no current actuarial experience on which to base the adjustments and the combined impact of the changes was not considered to be material to the final results. These changes will be factored into future actuarial valuations for the LODA Program.

- The discontinuance of spouse health care coverage, if a covered spouse divorces a disabled employee or a covered surviving spouse remarries.
- The potential for VRS's periodic review of the disability status of a disabled employee.
- For those beneficiaries who become eligible for health care benefits as the result of a disability occurring after June 30, 2017, the suspension of health care benefits in years when VRS certifies current income exceeds salary at the time of the disability, indexed for inflation.
- The extension of health care benefits for dependent children to age 26.
- The expansion of the definition of presumption of death or disability to include infectious diseases.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2018 (Continued)

NOTE 12—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

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

Net LODA OPEB Liability

The net OPEB liability (NOL) for the Line of Duty Act Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the Line of Duty Act Program is as follows (amounts expressed in thousands):

	<u>LODA Program</u>
Total LODA OPEB Liability	\$ 266,252
Plan Fiduciary Net Position	3,461
Employers' Net OPEB Liability	<u>\$ 262,791</u>
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	1.30%

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 3.56% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments 7.00% assumption. Instead, the assumed annual rate of return of 3.56% 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 published monthly by the Board of Governors of the Federal Reserve System as of the measurement date of June 30, 2017.

Discount Rate

The discount rate used to measure the total LODA OPEB liability was 3.56%. 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 ending 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, 2018 (Continued)

NOTE 12—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 3.56%, 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 (2.56%) or one percentage point higher (4.56%) than the current rate:

	Discount Rate		
	1% Decrease (2.56%)	Current (3.56%)	1% Increase (4.56%)
Town's proportionate share of the LODA net OPEB liability	\$ 251,000	\$ 221,000	\$ 196,000

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

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

	Health Care Trend Rates		
	1% Decrease (6.75% decreasing to 4.00%)	Current (7.75% decreasing to 5.00%)	1% Increase (8.75% decreasing to 6.00%)
Town's proportionate share of the LODA net OPEB liability	\$ 188,000	\$ 221,000	\$ 263,000

LODA OPEB Fiduciary Net Position

Detailed information about the Line of Duty Act Program Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-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, 2018 (Continued)

NOTE 13—ADOPTION OF ACCOUNTING PRINCIPLES

The Town implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* during the fiscal year ended June 30, 2018. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to postemployment benefits other than pensions (other postemployment benefits or OPEB). Note disclosure and required supplementary information requirements about OPEB are also addressed. The requirements of this Statement will improve accounting and financial reporting by state and local governments for OPEB. In addition, the Town implemented Governmental Accounting Standards Board Statement No. 85, *Omnibus 2017* during the fiscal year ended June 30, 2018. This Statement addresses practice issues identified during implementation and application of certain GASB statements for a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). The implementation of these Statements resulted in the following restatement of net position as of July 1, 2017:

	<u>General Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>
Net position at June 30, 2017, as reported	\$ 8,219,849	4,182,520	10,598,059
Implementation of GASB 75	<u>(290,497)</u>	<u>(10,846)</u>	<u>(14,811)</u>
Net position at June 30, 2017, as restated	<u>\$ 7,929,352</u>	<u>\$ 4,171,674</u>	<u>\$ 10,583,248</u>

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Required Supplementary Information

Note to Required Supplementary Information:

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

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

General Fund

For the Year Ended June 30, 2018

	General Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
General property taxes	\$ 794,000	\$ 794,000	\$ 875,217	\$ 81,217
Other local taxes/revenues	2,098,300	2,098,300	2,256,460	158,160
Permits, fees, and regulatory licenses	3,100	3,100	3,010	(90)
Fines and forfeitures	72,000	72,000	75,938	3,938
Revenues from use of money and property	9,140	9,140	12,060	2,920
Charges for services	160,960	160,960	163,491	2,531
Miscellaneous revenue	262,125	145,183	30,261	(114,922)
Recovered costs	13,100	13,100	26,448	13,348
Revenue from internal sources	325,712	325,712	325,716	4
Intergovernmental revenues:				
Commonwealth	1,627,053	2,449,036	2,499,426	50,390
Federal	2,000	27,000	25,000	(2,000)
Total revenues	\$ 5,367,490	\$ 6,097,531	\$ 6,293,027	\$ 195,496
EXPENDITURES				
Current:				
General government administration	\$ 716,124	\$ 718,823	\$ 719,645	\$ (822)
Public safety	1,462,589	1,455,037	1,575,768	(120,731)
Public works	1,666,883	1,655,090	1,613,496	41,594
Parks, recreation, and cultural	30,000	30,000	28,724	1,276
Community development	121,987	121,953	121,418	535
Nondepartmental	203,296	203,296	217,970	(14,674)
Capital projects	972,467	1,701,073	974,970	726,103
Debt service:				
Principal	169,928	188,043	223,086	(35,043)
Interest and finance charges	24,216	24,216	24,216	-
Total expenditures	\$ 5,367,490	\$ 6,097,531	\$ 5,499,293	\$ 598,238
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 793,734	\$ 793,734
Fund Balance at Beginning of Year	-	-	2,744,557	2,744,557
Fund Balance at End of Year	\$ -	\$ -	\$ 3,538,291	\$ 3,538,291

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
For the Years Ended June 30, 2015 through June 30, 2018

	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 281,532	\$ 323,066	\$ 319,585	\$ 224,518
Interest	562,059	524,852	458,693	431,065
Changes in benefit terms	-	-	416,043	-
Differences between expected and actual experience	187,833	46,647	91,586	-
Changes in assumptions	(149,862)	-	-	-
Benefit payments, including refunds of employee contributions	(330,387)	(395,687)	(285,864)	(235,941)
Net change in total pension liability	\$ 551,175	\$ 498,878	\$ 1,000,043	\$ 419,642
Total pension liability - beginning	8,194,609	7,695,731	6,695,688	6,276,046
Total pension liability - ending (a)	\$ 8,745,784	\$ 8,194,609	\$ 7,695,731	\$ 6,695,688
Plan fiduciary net position				
Contributions - employer	\$ 284,672	\$ 256,860	\$ 275,028	\$ 209,608
Contributions - employee	109,433	110,576	118,347	125,102
Net investment income	756,868	105,976	265,333	771,541
Benefit payments, including refunds of employee contributions	(330,387)	(395,687)	(285,864)	(235,941)
Administrative expense	(4,217)	(3,714)	(3,462)	(4,035)
Other	(680)	(45)	(56)	41
Net change in plan fiduciary net position	\$ 815,689	\$ 73,966	\$ 369,326	\$ 866,316
Plan fiduciary net position - beginning	6,144,343	6,070,377	5,701,051	4,834,735
Plan fiduciary net position - ending (b)	\$ 6,960,032	\$ 6,144,343	\$ 6,070,377	\$ 5,701,051
Town's net pension liability - ending (a) - (b)	\$ 1,785,752	\$ 2,050,266	\$ 1,625,354	\$ 994,637
Plan fiduciary net position as a percentage of the total pension liability	79.58%	74.98%	78.88%	85.15%
Covered payroll	\$ 2,180,643	\$ 2,205,029	\$ 2,344,581	\$ 2,330,120
Town's net pension liability as a percentage of covered payroll	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, 2009 through June 30, 2018

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2018	\$ 301,386	\$ 301,386	\$ -	\$ 2,314,522	13.02%
2017	289,371	289,371	-	2,180,643	13.27%
2016	259,091	259,091	-	2,205,029	11.75%
2015	275,488	275,488	-	2,344,581	11.75%
2014	209,711	209,711	-	2,330,120	9.00%
2013	204,222	204,222	-	2,269,129	9.00%
2012	120,108	120,108	-	2,140,967	5.61%
2011	114,773	114,773	-	2,045,859	5.61%
2010	83,906	83,906	-	2,162,534	3.88%
2009	78,737	78,737	-	2,029,306	3.88%

Notes to Required Supplementary Information - Pension
For the Year Ended June 30, 2018

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 is not material.

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

Largest 10 - Non-Hazardous Duty:

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

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	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

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
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

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% to 45%

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

	<u>2018</u>
Total OPEB liability	
Service cost	\$ 8,877
Interest	5,366
Changes in assumptions	(10,766)
Net change in total OPEB liability	\$ 3,477
Total OPEB liability - beginning	134,154
Total OPEB liability - ending	\$ <u>137,631</u>

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, 2018

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

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	3.62% as of June 30, 2018.
Inflation	2.30% per year as of June 30, 2018.
Healthcare Trend Rates	The healthcare trend rate assumptions vary by year and range between 4.10% and 6.20%.
Salary Increase Rates	The salary increase rate starts at 5.35% salary increase for one year of service and gradually declines to 3.50% salary increase for twenty or more years of service.
Mortality Rates	The mortality rates for were calculated using the RP-2014 Total Dataset with generational mortality improvements using scale MP-2015.

Schedule of Town's Share of Net OPEB Liability - Group Life Insurance
For the Year Ended June 30, 2018

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
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, 2009 through June 30, 2018

Date	Contractually Required Contribution	Actual Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2018	\$ 12,090	\$ 12,090	\$ -	\$ 2,324,991	0.52%
2017	11,456	11,456	-	2,203,103	0.52%
2016	10,584	10,584	-	2,205,029	0.48%
2015	11,254	11,254	-	2,344,581	0.48%
2014	11,185	11,185	-	2,330,120	0.48%
2013	10,892	10,892	-	2,269,129	0.48%
2012	5,995	5,995	-	2,140,967	0.28%
2011	5,728	5,728	-	2,045,859	0.28%
2010	4,365	4,365	-	2,162,534	0.20%
2009	5,479	5,479	-	2,029,306	0.27%

Notes to Required Supplementary Information - OPEB - Group Life Insurance
For the Year Ended June 30, 2018

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

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

General State Employees

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

Teachers

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

SPORS Employees

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

ValORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	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 50% to 35%

Notes to Required Supplementary Information - OPEB - Group Life Insurance
For the Year Ended June 30, 2018 (Continued)

JRS Employees

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

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% to 20%

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% to 15%

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	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Non-Largest Ten Locality Employers - Hazardous Duty Employees

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

Schedule of Town's Share of Net OPEB Liability - LODA
For the Year Ended June 30, 2018

<u>Date</u>	<u>Town's Proportion of the Net LODA OPEB Liability</u>	<u>Town's Proportionate Share of the Net LODA OPEB Liability</u>	<u>Plan Fiduciary Net Position as a Percentage of Total LODA OPEB Liability</u>
2017	0.084170% \$	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. Since 2018 is the first year for this presentation, only one year of data is available. However, additional years will be included as they become available.

Schedule of Employer Contributions - LODA
For the Year Ended June 30, 2018

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)
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. Since 2018 is the first year for this presentation, only one year of data is available. However, additional years will be included as they become available.

Notes to Required Supplementary Information - OPEB - LODA
For the Year Ended June 30, 2018

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

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

General State Employees

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

SPORS Employees

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

ValORS Employees

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

Employees in the 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	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

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

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

Other Supplementary Information

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Supporting Schedules

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

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	\$ 615,000	\$ 615,000	\$ 661,649	\$ 46,649
Personal property taxes	157,000	157,000	179,745	22,745
Public service corporation taxes	22,000	22,000	33,823	11,823
Total general property taxes	\$ 794,000	\$ 794,000	\$ 875,217	\$ 81,217
Other local taxes/revenues				
Local sales and use taxes	\$ 215,000	\$ 215,000	\$ 229,204	\$ 14,204
Consumers' utility taxes	231,400	231,400	234,574	3,174
Electric consumption taxes	16,200	16,200	17,293	1,093
Motor vehicle licenses	80,000	80,000	92,462	12,462
Bank franchise taxes	160,000	160,000	202,282	42,282
Restaurant food taxes	1,150,000	1,150,000	1,199,380	49,380
Business licenses	8,700	8,700	3,366	(5,334)
Transient/occupancy taxes	140,000	140,000	189,699	49,699
Cigarette taxes	97,000	97,000	88,200	(8,800)
Total other local taxes/revenues	\$ 2,098,300	\$ 2,098,300	\$ 2,256,460	\$ 158,160
Permits, fees, and regulatory licenses:				
Planning and development fees	\$ 3,000	\$ 3,000	\$ 2,785	\$ (215)
Construction permits/fees	100	100	225	125
Total permits, fees, and regulatory licenses	\$ 3,100	\$ 3,100	\$ 3,010	\$ (90)
Fines and forfeitures:				
Court fines and forfeitures	\$ 72,000	\$ 72,000	\$ 75,938	\$ 3,938
Revenue from use of money and property:				
Revenue from use of money	\$ 4,400	4,400	\$ 6,115	\$ 1,715
Revenue from use of property	4,740	4,740	5,945	1,205
Total revenue from use of money and property	\$ 9,140	\$ 9,140	\$ 12,060	\$ 2,920
Charges for services:				
Refuse collection	\$ 136,600	\$ 136,600	\$ 146,362	\$ 9,762
Transit fees	24,360	24,360	17,129	(7,231)
Total charges for services	\$ 160,960	\$ 160,960	\$ 163,491	\$ 2,531

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018 (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	\$ 238,575	\$ 121,633	\$ -	\$ (121,633)
Administrative fees	5,000	5,000	6,168	1,168
Proceeds from the sale of surplus property	-	-	4,311	4,311
Proceeds from the sale of recycled material	-	-	2,394	2,394
Revenue refunds	15,000	15,000	17,104	2,104
Miscellaneous	3,550	3,550	284	(3,266)
Total miscellaneous	\$ 262,125	\$ 145,183	\$ 30,261	\$ (114,922)
Recovered costs:				
Expenditure refunds	\$ 13,100	\$ 13,100	\$ 26,448	\$ 13,348
Revenue from internal sources:				
Internal charges	\$ 325,712	\$ 325,712	\$ 325,716	\$ 4
Total revenue from local sources	\$ 3,738,437	\$ 3,621,495	\$ 3,768,601	\$ 147,106
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	\$ 7,000	\$ 7,000	\$ 6,810	\$ (190)
Motor vehicle carriers' tax	36,000	36,000	49,155	13,155
Communications tax	170,000	170,000	163,883	(6,117)
Personal property tax relief funds	89,615	89,615	89,615	-
Total noncategorical aid	\$ 302,615	\$ 302,615	\$ 309,463	\$ 6,848
Categorical aid:				
State Highway Funds	\$ 926,452	\$ 926,452	\$ 943,823	\$ 17,371
VDOT Revenue Sharing	275,350	476,350	1,080,897	604,547
Virginia Rail Transportation Grant	-	-	37,777	37,777
ISTEA Railroad Avenue	-	620,983	-	(620,983)
Aid to localities with police departments	106,348	106,348	106,348	-
Fire Program Grants	13,788	13,788	15,783	1,995
Litter Control Grant	2,500	2,500	5,335	2,835
Total categorical aid	\$ 1,324,438	\$ 2,146,421	\$ 2,189,963	\$ 43,542
Total revenue from the commonwealth	\$ 1,627,053	\$ 2,449,036	\$ 2,499,426	\$ 50,390
Revenue from the Federal Government:				
Categorical aid:				
Communities Facilities Loans and Grants	\$ 2,000	\$ 27,000	\$ 25,000	\$ (2,000)
Total categorical aid	\$ 2,000	\$ 27,000	\$ 25,000	\$ (2,000)
Total revenue from the federal government	\$ 2,000	\$ 27,000	\$ 25,000	\$ (2,000)
Total General Fund	\$ 5,367,490	\$ 6,097,531	\$ 6,293,027	\$ 195,496

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2018 (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	\$ -	\$ -	\$ 430	\$ 430
Total revenue from local sources	\$ -	\$ -	\$ 430	\$ 430
Total Taylor Park Fund	\$ -	\$ -	\$ 430	\$ 430
Capital Projects Fund:				
General Capital Projects Fund:				
Revenue from local sources:				
Miscellaneous:				
Other miscellaneous	\$ -	\$ -	\$ 100	\$ 100
Total revenue from local sources	\$ -	\$ -	\$ 100	\$ 100
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Virginia Arts Commission	\$ -	\$ -	\$ 4,500	\$ 4,500
Police department grants	-	-	5,880	5,880
Total categorical aid	\$ -	\$ -	\$ 10,380	\$ 10,380
Total revenue from the commonwealth	\$ -	\$ -	\$ 10,380	\$ 10,380
Revenue from the federal government:				
Categorical aid:				
Byrne Memorial Grant	\$ -	\$ -	\$ 3,203	\$ 3,203
Total categorical aid	\$ -	\$ -	\$ 3,203	\$ 3,203
Total revenue from the federal government	\$ -	\$ -	\$ 3,203	\$ 3,203
Total Capital Projects Fund	\$ -	\$ -	\$ 13,683	\$ 13,683
Total Primary Government	\$ 5,367,490	\$ 6,097,531	\$ 6,307,140	\$ 209,609

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Town Council	\$ 42,742	\$ 43,618	\$ 47,133	\$ (3,515)
General and financial administration:				
Town manager	\$ 296,606	\$ 298,521	\$ 289,862	\$ 8,659
Professional services	37,850	37,850	32,299	5,551
Elections	3,500	3,500	3,737	(237)
Treasurer/finance	335,426	335,334	346,614	(11,280)
Total general and financial administration	\$ 673,382	\$ 675,205	\$ 672,512	\$ 2,693
Total general government administration	\$ 716,124	\$ 718,823	\$ 719,645	\$ (822)
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 1,411,214	\$ 1,403,662	\$ 1,519,985	\$ (116,323)
Fire and rescue services:				
Volunteer fire departments	\$ 51,375	\$ 51,375	\$ 55,783	\$ (4,408)
Total fire and rescue services	\$ 51,375	\$ 51,375	\$ 55,783	\$ (4,408)
Total public safety	\$ 1,462,589	\$ 1,455,037	\$ 1,575,768	\$ (120,731)
Public works:				
Streets and general maintenance	\$ 1,353,026	\$ 1,342,544	\$ 1,252,002	\$ 90,542
Refuse collection and disposal	142,995	141,726	213,026	(71,300)
Municipal building	48,285	48,243	49,407	(1,164)
Depot	16,000	16,000	8,639	7,361
TOOT	106,577	106,577	90,422	16,155
Total public works	\$ 1,666,883	\$ 1,655,090	\$ 1,613,496	\$ 41,594
Parks, recreation, and cultural:				
Parks and recreation	\$ 30,000	\$ 30,000	\$ 28,724	\$ 1,276
Total parks, recreation, and cultural	\$ 30,000	\$ 30,000	\$ 28,724	\$ 1,276

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018 (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	\$ 121,987	\$ 121,953	\$ 121,418	\$ 535
Total community development	\$ 121,987	\$ 121,953	\$ 121,418	\$ 535
Nondepartmental:				
Insurance	\$ 35,596	\$ 35,596	\$ 46,282	\$ (10,686)
Revenue refunds	-	-	5,697	(5,697)
Contractual services	27,400	27,400	29,250	(1,850)
Bank service charges	15,000	15,000	15,153	(153)
Miscellaneous	5,000	5,000	1,388	3,612
Donations	120,300	120,300	120,200	100
Total nondepartmental	\$ 203,296	\$ 203,296	\$ 217,970	\$ (14,674)
Capital expenditures:				
Capital outlay	\$ 972,467	\$ 1,701,073	\$ 974,970	\$ 726,103
Debt service:				
Principal	\$ 169,928	\$ 188,043	\$ 223,086	\$ (35,043)
Interest	24,216	24,216	24,216	-
Total debt service	\$ 194,144	\$ 212,259	\$ 247,302	\$ (35,043)
Total General Fund	\$ 5,367,490	\$ 6,097,531	\$ 5,499,293	\$ 598,238
Capital Projects Fund:				
General Capital projects expenditures:				
Capital projects expenditures	\$ -	\$ -	\$ 41,889	\$ (41,889)
Total Capital Projects Fund	\$ -	\$ -	\$ 41,889	\$ (41,889)
Total Primary Government	\$ 5,367,490	\$ 6,097,531	\$ 5,541,182	\$ 556,349

Other Statistical Information

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities										
Net investment in capital assets	\$ 3,715,756	\$ 3,604,767	\$ 3,430,421	\$ 3,458,415	\$ 3,493,408	\$ 4,343,194	\$ 6,426,911	\$ 6,879,703	\$ 6,812,449	\$ 6,646,598
Restricted	2,380	2,387	2,392	134,670	110,059	110,273	110,491	110,688	108,489	108,919
Unrestricted	2,654,441	2,883,587	2,992,024	2,940,650	3,807,987	3,262,813	1,886,857	1,552,399	1,298,911	1,589,401
Total governmental activities net position	<u>\$ 6,372,577</u>	<u>\$ 6,490,741</u>	<u>\$ 6,424,837</u>	<u>\$ 6,533,735</u>	<u>\$ 7,411,454</u>	<u>\$ 7,716,280</u>	<u>\$ 8,424,259</u>	<u>\$ 8,542,790</u>	<u>\$ 8,219,849</u>	<u>\$ 8,344,918</u>
Business-type activities										
Net investment in capital assets	\$ 6,946,933	\$ 11,521,538	\$ 15,481,745	\$ 15,193,913	\$ 15,080,241	\$ 15,130,074	\$ 15,035,677	\$ 14,968,510	\$ 14,907,763	\$ 14,863,253
Restricted	-	-	-	68,639	-	-	-	-	-	-
Unrestricted	4,368,814	4,029,344	1,535,331	886,604	248,257	692,690	175,815	75,741	(127,184)	(482,137)
Total business-type activities net position	<u>\$ 11,315,747</u>	<u>\$ 15,550,882</u>	<u>\$ 17,017,076</u>	<u>\$ 16,149,156</u>	<u>\$ 15,328,498</u>	<u>\$ 15,822,764</u>	<u>\$ 15,211,492</u>	<u>\$ 15,044,251</u>	<u>\$ 14,780,579</u>	<u>\$ 14,381,116</u>
Primary government										
Net investment in capital assets	\$ 10,662,689	\$ 15,126,305	\$ 18,912,166	\$ 18,652,328	\$ 18,573,649	\$ 19,473,268	\$ 21,462,588	\$ 21,848,213	\$ 21,720,212	\$ 21,509,851
Restricted	2,380	2,387	2,392	203,309	110,059	110,273	110,491	110,688	108,489	108,919
Unrestricted	7,023,255	6,912,931	4,527,355	3,827,254	4,056,244	3,955,503	2,062,672	1,628,140	1,171,727	1,107,264
Total primary government net position	<u>\$ 17,688,324</u>	<u>\$ 22,041,623</u>	<u>\$ 23,441,913</u>	<u>\$ 22,682,891</u>	<u>\$ 22,739,952</u>	<u>\$ 23,539,044</u>	<u>\$ 23,635,751</u>	<u>\$ 23,587,041</u>	<u>\$ 23,000,428</u>	<u>\$ 22,726,034</u>

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental activities:										
General government administration	\$ 744,923	\$ 822,347	\$ 854,434	\$ 898,399	\$ 775,161	\$ 854,920	\$ 856,706	\$ 979,006	\$ 875,454	\$ 1,107,261
Public safety	1,268,803	1,248,816	1,275,689	1,377,427	1,455,083	1,510,652	1,552,517	1,639,762	1,527,727	1,554,318
Public works	1,435,223	1,980,259	1,834,837	1,905,767	1,699,846	1,736,332	2,228,490	1,979,808	2,653,300	2,743,120
Parks, recreation and cultural	139,744	132,620	57,976	60,559	71,913	52,195	58,421	50,109	47,917	50,018
Community development	489,958	176,336	243,143	207,866	237,908	221,693	246,980	343,595	355,813	355,054
Interest on long-term debt	81,199	78,545	75,574	71,701	67,167	14,114	61,723	56,142	51,715	49,495
Total governmental activities expenses	\$ 4,159,850	\$ 4,438,923	\$ 4,341,653	\$ 4,521,719	\$ 4,307,078	\$ 4,389,906	\$ 5,004,837	\$ 5,048,422	\$ 5,511,926	\$ 5,859,266
Business-type activities:										
Water	\$ 1,478,137	\$ 1,419,246	\$ 1,406,518	\$ 1,540,247	\$ 1,564,437	\$ 1,449,285	\$ 1,561,035	\$ 1,414,969	\$ 1,511,899	\$ 1,596,581
Sewer	909,880	942,559	1,139,978	1,735,986	1,795,538	1,961,749	1,823,607	1,869,725	1,837,446	1,787,301
Water and sewer capital improvements	165,071	75,958	73,728	69,960	-	-	-	-	-	-
Sewer capital improvements	-	70,461	73,455	76,820	-	-	-	-	-	-
Total business-type activities expenses	\$ 2,553,088	\$ 2,508,224	\$ 2,693,679	\$ 3,423,013	\$ 3,359,975	\$ 3,411,034	\$ 3,384,642	\$ 3,284,694	\$ 3,349,345	\$ 3,383,882
Total primary government expenses	\$ 6,712,938	\$ 6,947,147	\$ 7,035,332	\$ 7,944,732	\$ 7,667,053	\$ 7,800,940	\$ 8,389,479	\$ 8,333,116	\$ 8,861,271	\$ 9,243,148
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
Public safety	73,006	84,822	122,852	75,808	58,887	85,679	66,913	62,056	84,083	75,938
Public works	77,053	51,414	37,323	50,475	103,681	107,498	94,358	82,964	172,940	163,491
Community development	18,385	-	-	5,858	5,401	811	3,300	2,430	1,775	3,010
Operating grants and contributions	960,713	918,172	964,445	863,290	895,487	970,366	1,551,123	1,074,655	1,257,792	2,228,546
Capital grants and contributions	-	-	-	223,805	11,164	413,670	1,394,645	335,279	-	-
Total governmental activities program revenues	\$ 1,129,157	\$ 1,054,408	\$ 1,411,072	\$ 1,511,184	\$ 1,372,650	\$ 1,881,312	\$ 3,419,459	\$ 1,872,456	\$ 1,833,606	\$ 2,796,701
Business-type activities:										
Charges for services:										
Water	\$ 1,173,876	\$ 1,177,263	\$ 1,287,521	\$ 1,152,332	\$ 1,372,441	\$ 1,282,238	\$ 1,298,513	\$ 1,313,480	\$ 1,174,447	\$ 1,252,490
Sewer	1,068,536	1,054,408	1,286,043	1,261,087	1,406,808	1,613,061	1,632,961	1,640,701	1,640,330	1,675,269
Capital grants and contributions	3,829,383	4,330,716	1,436,119	20,265	196,023	34,505	7,500	71,149	207,644	18,330
Total business-type activities program revenues	\$ 6,071,795	\$ 6,562,387	\$ 4,009,683	\$ 2,433,684	\$ 2,975,272	\$ 2,929,804	\$ 2,938,974	\$ 3,025,330	\$ 3,022,421	\$ 2,946,089
Total primary government program revenues	\$ 7,200,952	\$ 7,616,795	\$ 5,420,755	\$ 3,944,868	\$ 4,347,922	\$ 4,811,116	\$ 6,358,433	\$ 4,897,786	\$ 4,856,027	\$ 5,742,790
Net (expense) / revenue										
Governmental activities	\$ (3,030,693)	\$ (3,384,515)	\$ (2,930,581)	\$ (3,010,535)	\$ (2,934,428)	\$ (2,508,594)	\$ (1,585,378)	\$ (3,175,966)	\$ (3,678,320)	\$ (3,062,565)
Business-type activities	3,518,707	4,054,163	1,316,004	(989,329)	(384,703)	(481,230)	(445,668)	(259,364)	(326,924)	(437,793)
Total primary government net (expense)/ revenue	\$ 488,014	\$ 669,648	\$ (1,614,577)	\$ (3,999,864)	\$ (3,319,131)	\$ (2,989,824)	\$ (2,031,046)	\$ (3,435,330)	\$ (4,005,244)	\$ (3,500,358)

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes	\$ 659,583	\$ 606,021	\$ 684,066	\$ 668,032	\$ 741,887	\$ 689,485	\$ 759,925	\$ 728,639	\$ 878,002	\$ 869,356
Local sales and use taxes	293,023	294,143	312,332	321,262	345,208	355,692	241,507	197,533	225,086	229,204
Restaurant food taxes	942,870	908,810	940,940	1,007,295	1,058,059	1,032,790	1,096,455	1,152,548	1,164,425	1,199,380
Consumers' utility taxes	240,838	231,703	234,575	230,107	226,271	233,804	233,334	239,301	219,739	234,574
Other local taxes	384,964	424,856	478,793	474,172	468,037	533,451	639,211	525,518	500,846	593,302
Unrestricted grants and contributions	308,846	420,978	410,036	409,005	414,664	411,818	138,536	304,340	308,556	309,463
Unrestricted revenues from use of money and property	9,348	11,140	12,449	8,764	17,034	12,138	11,422	19,514	11,622	12,490
Miscellaneous	339,873	348,806	19,484	10,334	24,881	32,723	24,998	127,104	12,977	23,657
Gain (loss) on the disposal of assets	500	9,554	18,670	23,249	9,748	17,877	63,219	-	34,126	6,705
Transfers	-	-	-	-	506,358	(506,358)	-	-	-	-
Total governmental activities	\$ 3,179,845	\$ 3,256,011	\$ 3,111,345	\$ 3,152,220	\$ 3,812,147	\$ 2,813,420	\$ 3,208,607	\$ 3,294,497	\$ 3,355,379	\$ 3,478,131
Business-type activities:										
Unrestricted revenues from use of money and property	\$ 6,903	\$ 13,247	\$ 6,914	\$ 1,893	\$ 2,632	\$ 1,519	\$ 1,572	\$ 1,688	\$ 1,618	\$ 3,250
Miscellaneous	144,842	155,390	143,276	55,554	67,771	172,761	149,277	90,435	61,634	60,737
Transfers	-	-	-	-	(506,358)	506,358	-	-	-	-
Total business-type activities	\$ 151,745	\$ 168,637	\$ 150,190	\$ 57,447	\$ (435,955)	\$ 680,638	\$ 150,849	\$ 92,123	\$ 63,252	\$ 63,987
Total primary government	\$ 3,331,590	\$ 3,424,648	\$ 3,261,535	\$ 3,209,667	\$ 3,376,192	\$ 3,494,058	\$ 3,359,456	\$ 3,386,620	\$ 3,418,631	\$ 3,542,118
Change in Net Position										
Governmental activities	\$ 149,152	\$ (128,504)	\$ 180,764	\$ 141,685	\$ 877,719	\$ 304,826	\$ 1,623,229	\$ 118,531	\$ (322,941)	\$ 415,566
Business-type activities	3,670,452	4,222,800	1,466,194	(931,882)	(820,658)	199,408	(294,819)	(167,241)	(263,672)	(373,806)
Total primary government	\$ 3,819,604	\$ 4,094,296	\$ 1,646,958	\$ (790,197)	\$ 57,061	\$ 504,234	\$ 1,328,410	\$ (48,710)	\$ (586,613)	\$ 41,760

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
2018	\$ 869,356	\$ 229,204	\$ 234,574	\$ 1,199,380	\$ 593,302	\$ 3,125,816
2017	878,002	225,086	219,739	1,164,425	500,846	2,988,098
2016	729,128	197,533	239,301	1,152,548	525,518	2,844,028
2015	759,925	241,507	233,334	1,096,455	463,045	2,794,266
2014	689,485	355,692	233,804	1,032,790	533,451	2,845,222
2013	741,887	345,208	226,271	1,058,059	468,037	2,839,462
2012	668,032	321,262	230,107	1,007,295	474,172	2,700,868
2011	684,066	312,332	234,575	940,940	478,793	2,650,706
2010	606,021	294,143	231,703	908,810	424,856	2,465,533
2009	659,583	293,023	240,383	942,870	384,964	2,520,823

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

	2009	2010	2011 (1)	2012	2013	2014	2015	2016	2017	2018
General fund										
Reserved	\$ 2,380	\$ 2,387								
Unreserved	2,499,751	2,539,564								
Total general fund	<u>\$ 2,502,131</u>	<u>\$ 2,541,951</u>								
All other governmental funds										
Unreserved, reported in:										
Taylor park fund	\$ 106,239	\$ 106,692								
Capital projects funds	38,120	53,727								
Total all other governmental funds	<u>\$ 144,359</u>	<u>\$ 160,419</u>								
Total fund balance, governmental funds	<u>\$ 2,646,490</u>	<u>\$ 2,702,370</u>								
General fund										
Nonspendable			\$ 21,387	\$ -	\$ -	\$ 34,623	\$ 9,862	\$ 14,294	\$ 37,151	\$ 34,349
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
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>
All other governmental funds										
Restricted										
Taylor park fund			\$ 107,089	\$ 107,278	\$ 107,667	\$ 107,881	\$ 108,099	\$ 108,296	\$ 108,489	\$ 108,919
Assigned										
Capital projects fund			70,507	133,804	124,313	119,093	98,029	-	-	-
Unassigned										
Capital projects fund			-	-	-	-	-	(5,573)	(33,032)	(61,238)
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>
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>

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

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
General property taxes	\$ 667,271	\$ 643,848	\$ 701,614	\$ 660,003	\$ 723,149	\$ 738,725	\$ 731,855	\$ 729,128	\$ 836,044	\$ 875,217
Other local taxes	1,861,695	1,859,512	1,966,640	2,032,836	2,097,575	2,155,737	2,034,341	2,114,900	2,110,096	2,256,460
Permits, privilege fees and regulatory licenses	1,776	2,539	4,800	5,868	5,401	811	3,300	2,430	1,775	3,010
Fines and forfeitures	73,006	60,235	100,414	75,798	58,887	85,679	66,913	62,056	84,083	75,938
Revenue from use of money and property	9,348	11,140	12,449	8,764	17,034	11,658	11,422	10,079	11,622	12,490
Charges for services	93,662	73,462	54,961	50,475	103,681	107,498	94,358	82,964	172,940	163,491
Miscellaneous	12,873	36,982	38,154	33,583	34,629	50,600	32,952	148,468	47,104	30,361
Recovered costs	72,657	19,699	21,052	3,042	11,448	13,723	149,332	23,758	59,928	26,448
Revenue from internal sources	327,500	346,824	286,452	291,948	298,030	303,288	309,120	315,072	317,016	325,716
Intergovernmental revenues:										
Commonwealth	1,264,973	1,333,411	1,318,560	1,388,593	1,317,347	1,686,080	1,865,825	1,374,592	1,566,348	2,538,009
Federal	4,586	5,739	55,921	107,507	3,968	-	1,394,645	339,682	-	-
Total revenues	\$ 4,389,347	\$ 4,393,391	\$ 4,561,017	\$ 4,658,417	\$ 4,671,149	\$ 5,153,799	\$ 6,694,063	\$ 5,203,129	\$ 5,206,956	\$ 6,307,140
Expenditures										
General government administration	\$ 557,352	\$ 618,538	\$ 602,329	\$ 627,534	\$ 627,697	\$ 652,017	\$ 675,657	\$ 759,721	\$ 687,550	\$ 719,645
Public safety	1,196,117	1,206,536	1,224,128	1,369,728	1,370,094	1,421,949	1,485,085	1,394,255	1,453,981	1,575,768
Public works	1,557,462	1,776,665	1,642,227	1,712,926	1,658,561	1,802,964	2,040,264	1,629,591	1,688,096	1,613,496
Parks, recreation and cultural	126,553	121,539	22,832	23,033	27,856	22,495	28,721	21,629	26,623	28,724
Community development	150,412	174,421	157,175	124,330	119,154	133,579	160,680	110,555	120,146	121,418
Non-departmental	98,361	64,283	197,841	160,793	186,764	181,148	202,871	213,362	214,299	217,970
Capital projects	443,904	206,711	148,112	361,531	277,418	729,606	2,553,360	870,320	1,055,138	1,016,859
Debt service										
Principal	89,300	91,650	94,000	115,887	118,237	147,425	233,598	162,127	167,402	223,086
Interest and other fiscal charges	79,793	77,168	74,325	70,824	66,817	27,077	33,299	30,421	27,007	24,216
Total expenditures	\$ 4,299,254	\$ 4,337,511	\$ 4,162,969	\$ 4,566,586	\$ 4,452,598	\$ 5,118,260	\$ 7,413,535	\$ 5,191,981	\$ 5,440,242	\$ 5,541,182
Excess of revenues over (under) expenditures	\$ 90,093	\$ 55,880	\$ 398,048	\$ 91,831	\$ 218,551	\$ 35,539	\$ (719,472)	\$ 11,148	\$ (233,286)	\$ 765,958
Other financing sources (uses)										
Transfers in	\$ -	\$ 7	\$ 5	\$ -	\$ 506,358	\$ (506,358)	\$ -	\$ -	\$ -	\$ -
Transfers out	-	(7)	(5)	-	-	-	-	-	-	-
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	\$ -	\$ -	\$ -
Net change in fund balances	90,093	55,880	398,048	140,309	857,144	(466,241)	(584,472)	11,148	(233,286)	765,958
Debt service as a percentage of noncapital expenditures	4.71%	4.33%	4.61%	4.84%	4.87%	4.33%	6.08%	4.92%	4.89%	6.09%

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
2018	\$ 875,217	\$ 2,256,460	\$ 3,010	\$ 75,938	\$ 12,490
2017	836,044	2,110,096	1,775	84,083	11,622
2016	729,128	2,114,900	2,430	62,056	10,079
2015	731,855	2,034,341	3,300	66,913	11,422
2014	738,725	2,155,737	811	85,679	11,658
2013	723,149	2,097,575	5,401	58,887	16,531
2012	660,003	2,032,836	5,868	75,798	8,659
2011	701,614	1,966,640	4,800	100,414	12,230
2010	643,848	1,859,512	2,539	60,235	10,945
2009	667,271	1,861,695	1,776	73,006	9,094

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
\$	163,491	\$ 26,448	\$ 30,361	\$ 2,538,009	\$ 5,981,424
	172,940	59,928	47,104	1,566,348	4,889,940
	82,964	23,758	148,468	1,714,274	4,888,057
	94,358	149,332	32,952	3,260,470	6,384,943
	107,498	13,723	353,888	1,686,080	5,153,799
	103,681	11,448	332,659	1,265,947	4,615,278
	50,475	3,042	325,531	1,358,180	4,520,392
	54,961	21,052	316,997	1,307,234	4,485,942
	73,462	19,699	383,806	1,269,557	4,323,603
	93,662	72,657	340,060	1,180,666	4,299,887

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
2018	\$ 363,201,476	\$ 40,060,080	\$ 18,951,844	\$ 422,213,400	\$ 422,282,542	99.98%
2017	362,361,500	35,671,613	17,808,609	415,841,722	415,841,722	100.00%
2016	358,356,090	34,424,008	17,186,324	409,966,422	409,966,422	100.00%
2015	361,646,400	34,309,280	13,566,760	409,522,440	409,522,440	100.00%
2014	360,126,565	34,591,100	15,323,152	410,040,817	410,040,817	100.00%
2013	356,685,550	36,261,468	15,012,840	407,959,858	407,959,858	100.00%
2012	405,790,650	33,585,596	14,945,558	454,321,804	454,321,804	100.00%
2011	455,413,450	33,306,877	15,242,650	503,962,977	503,962,977	100.00%
2010	454,299,450	27,498,838	15,305,972	497,104,260	497,104,260	100.00%
2009	453,115,000	43,436,588	14,687,687	511,239,275	511,239,275	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
2018	\$.175/.175	\$ 0.830	\$ 0.066	\$.175/.830	\$ 0.175
2017	.155/.175	0.830	0.066	.155/.830	0.155
2016	.155/.155	0.830	0.066	.155/.830	0.155
2015	.155/.155	0.830	0.066	.155/.830	0.155
2014	.155/.155	0.830	0.066	.155/.830	0.155
2013	.145/.155	0.830	0.066	.145/.830	0.145
2012	.114/.145	0.830	0.066	.114/.830	0.114
2011	.114/.114	0.830	0.066	.114/.830	0.114
2010	.114/.114	0.600	0.066	.114/.600	0.114
2009	.114/.114	0.600	0.066	.114/.600	0.114

(1) Per \$100 of assessed value

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

Fiscal Year	Population	Assessed Value (In Thousands) (2)	Gross General Obligation Debt (1)	Debt Payable from Enterprise Revenues (1)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value (2)	Net Bonded Debt per Capita
2018	5,044	\$ 422,213	\$ 3,704,999	\$ 2,678,049	\$ 1,026,950	0.24%	\$ 204
2017	4,988	415,842	4,074,999	2,911,749	1,163,250	0.28%	233
2016	4,947	409,966	4,429,999	3,132,799	1,297,200	0.32%	262
2015	4,902	409,522	4,774,999	3,348,549	1,426,450	0.35%	291
2014	4,855	410,041	5,115,000	3,561,650	1,553,350	0.38%	320
2013	4,813	407,960	5,183,537	3,623,387	1,560,150	0.38%	324
2012	4,776	454,322	5,425,169	3,763,969	1,661,200	0.37%	348
2011	4,730	503,963	5,660,721	3,900,821	1,759,900	0.35%	372
2010	4,674	497,104	5,885,238	4,031,338	1,853,900	0.37%	397
2009	4,636	511,239	9,089,854	7,144,304	1,945,550	0.38%	420

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

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

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total(1) Tax Levy	Current Tax(1) Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Tax Levy
2017-18	\$ 950,348	\$ 938,912	98.80%	\$ 19,551	\$ 958,463	100.85%	\$ 36,377	3.83%
2016-17	873,536	845,956	96.84%	6,973	852,929	97.64%	64,014	7.33%
2015-16	822,344	796,864	96.90%	25,754	822,618	100.03%	22,286	2.71%
2014-15	823,502	810,895	98.47%	10,576	821,471	99.75%	24,404	2.96%
2013-14	825,977	778,024	94.19%	43,976	822,000	99.52%	23,428	2.84%
2012-13	817,562	755,728	92.44%	20,756	776,484	94.98%	58,720	7.18%
2011-12	770,459	744,245	96.60%	33,663	777,908	100.97%	44,549	5.78%
2010-11	768,695	765,066	99.53%	26,163	791,229	102.93%	60,543	7.88%
2009-10	706,081	706,070	100.00%	27,393	733,463	103.88%	86,706	12.28%
2008-09	722,001	717,996	99.45%	38,890	756,886	104.83%	90,594	12.55%

(1) Includes Commonwealth's PPTRA reimbursement

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

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Compliance

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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, 2018, 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 27, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Robinson, Farmer, Cox Associates

Charlottesville, Virginia

November 27, 2018