

*Town of Orange, Virginia*



*Financial Report*  
*Year Ended June 30, 2016*



# TOWN OF ORANGE, VIRGINIA

## DIRECTORY OF OFFICIALS

### COUNCIL

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Harry C. "Chuck" Mason, Jr., Mayor  
Martha Roby, Vice-Mayor

Henry Lee Carter  
Richard Langford

Frederick W. "Rick" Sherman, Jr.

### OFFICIALS

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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, 2016

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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## Independent Auditors' Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Town of Orange, Virginia, as of and for the year ended June 30, 2016, 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, 2016, 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 2016 the Town adopted new accounting guidance, GASB Statement Nos. 79 Certain External Investment Pools and Pool Participants, and 82 Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73. 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, 61 and 62-65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### *Other Information*

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

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



*Other Information (Continued)*

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 December 5, 2016, on our consideration of Town of Orange, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Orange, Virginia's internal control over financial reporting and compliance.

*Robinson, Farmer Cox Associates*  
Charlottesville, Virginia  
December 5, 2016

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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, 2016. Please read it in conjunction with the Town's basic financial statements, which follow this section.

### Financial Highlights

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$23.6 million (*net position*). Of this amount, \$1.6 million (*unrestricted net position*) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position decreased by \$48,710, of which the governmental activities accounted for an increase of \$118,530 and business-type activities accounted for a decrease of \$167,241.
- The total ending fund balance for the Town's governmental funds is \$3.1 million, an increase of \$11,148 over the prior year. The ending fund balance of the general fund was \$3.0 million and is equal to 57% of the Town's fiscal year 2016 general fund expenditures.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2.9 million, or 68% 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 59 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 60 through 64 of this report.

## Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$23.6 million at the close of the most recent fiscal year. A large portion of the Town's net position (\$21.8 million, 93% of total) reflects its investment in capital assets (e.g., land, buildings, improvements, infrastructure machinery and equipment, and vehicles) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities (i.e., the Town's investment in capital assets are of a permanent nature as assets acquired are generally not sold or otherwise disposed of during their useful life).

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

**Town of Orange, Virginia  
Summary of Net Position  
As of June 30, 2016**

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 3,447,092	\$ 3,722,643	\$ 689,353	\$ 693,935	\$ 4,136,445	\$ 4,416,578
Capital assets	8,214,682	7,909,400	30,782,246	31,715,466	38,996,928	39,624,866
Total assets	\$ 11,661,774	\$ 11,632,043	\$ 31,471,599	\$ 32,409,401	\$ 43,133,373	\$ 44,041,444
Deferred outflows of resources	\$ 252,671	\$ 284,617	\$ 85,151	\$ 69,439	\$ 337,822	\$ 354,056
Long-term liabilities						
outstanding	\$ 2,914,418	\$ 2,556,060	\$ 16,333,502	\$ 17,036,505	\$ 19,247,920	\$ 19,592,565
Other liabilities	90,532	372,579	134,949	142,504	225,481	515,083
Total liabilities	\$ 3,004,950	\$ 2,928,639	\$ 16,468,451	\$ 17,179,009	\$ 19,473,401	\$ 20,107,648
Deferred inflows of resources	\$ 366,705	\$ 563,762	\$ 38,018	\$ 88,339	\$ 404,723	\$ 652,101
Net investment in capital assets	\$ 6,879,703	\$ 6,426,911	\$ 14,968,510	\$ 15,035,677	\$ 21,848,213	\$ 21,462,588
Restricted	110,688	110,491	-	-	110,688	110,491
Unrestricted	1,552,399	1,886,857	81,771	175,815	1,634,170	2,062,672
Total net position	\$ 8,542,790	\$ 8,424,259	\$ 15,050,281	\$ 15,211,492	\$ 23,593,071	\$ 23,635,751

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

As noted previously, the Town's overall (government and business-type activities) net position decreased by \$48,710 during the current fiscal year. The overall decrease is attributed to a decrease in operating and capital grant revenues in the governmental funds.

## Government-wide Financial Analysis: (Continued)

Governmental activities increased the Town's net position by \$118,531. The following table summarizes the Town's Statement of Activities:

Town of Orange, Virginia  
Changes in Net Position  
As of June 30, 2016

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 462,522	\$ 473,691	\$ 2,954,181	\$ 2,931,474	\$ 3,416,703	\$ 3,405,165
Operating grants and contributions	1,074,655	1,551,123	-	-	1,074,655	1,551,123
Capital grants and contributions	335,279	1,394,645	71,149	7,500	406,428	1,402,145
General revenues:						
Property taxes	728,639	759,925	-	-	728,639	759,925
Other taxes	2,114,900	2,034,341	-	-	2,114,900	2,034,341
Unrestricted revenues from the use of money and property	19,514	11,422	1,688	1,572	21,202	12,994
Miscellaneous	127,104	24,998	90,435	149,277	217,539	174,275
Grants and contributions not restricted to specific programs	304,340	314,702	-	-	304,340	314,702
Gain on sale of surplus property	-	63,219	-	-	-	63,219
Total revenues	\$ 5,166,953	\$ 6,628,066	\$ 3,117,453	\$ 3,089,823	\$ 8,284,406	\$ 9,717,889
Expenses:						
General government administration	\$ 979,006	\$ 856,706	\$ -	\$ -	\$ 979,006	\$ 856,706
Public safety	1,639,762	1,552,517	-	-	1,639,762	1,552,517
Public works	1,979,808	2,228,490	-	-	1,979,808	2,228,490
Parks, recreation and cultural	50,109	58,421	-	-	50,109	58,421
Community development	343,595	246,980	-	-	343,595	246,980
Interest on long-term obligations	56,142	61,723	-	-	56,142	61,723
Water fund	-	-	1,414,969	1,561,035	1,414,969	1,561,035
Sewer fund	-	-	1,869,725	1,823,607	1,869,725	1,823,607
Total expenses	\$ 5,048,422	\$ 5,004,837	\$ 3,284,694	\$ 3,384,642	\$ 8,333,116	\$ 8,389,479
Increase (decrease) in net position	\$ 118,531	\$ 1,623,229	\$ (167,241)	\$ (294,819)	\$ (48,710)	\$ 1,328,410
Net position - beginning of year,	\$ 8,424,259	\$ 6,801,030	\$ 15,211,492	\$ 15,506,311	\$ 23,635,751	\$ 22,307,341
Net position - end of year	\$ 8,542,790	\$ 8,424,259	\$ 15,044,251	\$ 15,211,492	\$ 23,587,041	\$ 23,635,751

Business-type activities decreased the Town's net position by \$167,241. 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 2016, the General Fund's operating revenues exceeded expenditures by \$19,553.

At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,933,891 while the restricted fund balance was \$2,392. The fund balance restriction represents unspent proceeds from Asset Forfeiture of \$2,392. Nonspendable fund balance was \$14,294 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 \$75,741. The total net position decreased by \$167,241 from the prior year.

## General Fund Budgetary Highlights

During the fiscal year, the Town's actual revenue was under budget by \$1,683,592 with the shortage generated by miscellaneous and intergovernmental revenues. Expenditures were under budget by \$1,703,145.

## 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, 2016, amounts to \$39.0 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and machinery and equipment as well as construction in progress.

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

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 967,466	\$ 882,289	\$ 248,292	\$ 248,292	\$ 1,215,758	\$ 1,130,581
Wastewater treatment plant	-	-	21,746,893	22,230,157	21,746,893	22,230,157
Buildings	2,123,438	2,183,653	2,275,711	2,362,089	4,399,149	4,545,742
Equipment and improvements	529,991	498,695	3,737,591	3,972,659	4,267,582	4,471,354
Road systems	4,593,787	2,134,718	-	-	4,593,787	2,134,718
Water storage facility	-	-	2,773,759	2,902,269	2,773,759	2,902,269
Construction in progress	-	2,210,045	-	-	-	2,210,045
Total	<u>\$ 8,214,682</u>	<u>\$ 7,909,400</u>	<u>\$ 30,782,246</u>	<u>\$ 31,715,466</u>	<u>\$ 38,996,928</u>	<u>\$ 39,624,866</u>

Additional information on the Town's capital assets can be found in Note 4 on pages 31 through 33 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 \$19.3 million and details are summarized in the following table:

**Town of Orange, Virginia  
Outstanding Obligations  
For the Year Ended June 30, 2016**

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Bonds Payable:						
General obligation bonds	\$ 1,297,200	\$ 1,426,450	\$ 3,132,799	\$ 3,348,549	\$ 4,429,999	\$ 4,774,999
Revenue bonds	-	-	12,680,937	13,331,239	12,680,937	13,331,239
Capital lease	102,123	135,000	-	-	102,123	135,000
Net pension liability	1,207,763	739,092	417,591	255,545	1,625,354	-
Net OPEB obligation	158,445	137,475	45,555	39,525	204,000	177,000
Compensated absences	148,887	118,043	62,650	61,646	211,537	179,689
Total	<u>\$ 2,914,418</u>	<u>\$ 2,556,060</u>	<u>\$ 16,339,532</u>	<u>\$ 17,036,504</u>	<u>\$ 19,253,950</u>	<u>\$ 18,597,927</u>

Debt associated with governmental activities increased by \$358,358 while debt associated with business-type activities decreased by \$696,972.

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, 2016.

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. Assessments were done in 2011 effective with tax year 2012 resulting in an equalization of rates from \$0.114 per \$100 of assessed value to \$0.145 per \$100 of assessed value. In July 2016 real estate rates were increased from \$0.155 per \$100 assessed value to \$0.175 per \$100 of assessed value.

## 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, 2016

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,533,673	\$ 339,579	\$ 2,873,252
Receivables (net of allowance for uncollectibles):			
Taxes receivable	293,892	-	293,892
Other local receivables	159,462	-	159,462
Accounts receivable	-	422,477	422,477
Internal balances	160,000	(160,000)	-
Due from other governmental units	175,083	-	175,083
Prepaid items	14,294	10,082	24,376
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	110,688	77,215	187,903
Capital assets (net of accumulated depreciation):			
Land	967,466	248,292	1,215,758
Wastewater treatment plant	-	21,746,893	21,746,893
Buildings	2,123,438	2,275,711	4,399,149
Equipment and improvements	529,991	3,737,591	4,267,582
Water storage facility	-	2,773,759	2,773,759
Road systems	4,593,787	-	4,593,787
Total assets	\$ 11,661,774	\$ 31,471,599	\$ 43,133,373
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	\$ 64,344	\$ -	\$ 64,344
Pension contributions after measurement date	188,327	69,235	257,562
Items related to measurement of net pension liability	46,031	15,916	61,947
Total deferred outflows of resources	\$ 298,702	\$ 85,151	\$ 383,853
<b>LIABILITIES</b>			
Accounts payable	\$ 45,145	\$ 24,689	\$ 69,834
Accrued liabilities	33,732	-	33,732
Accrued interest payable	11,655	33,045	44,700
Deposits held	-	77,215	77,215
Long-term liabilities:			
Due within one year	182,291	877,619	1,059,910
Due in more than one year	2,732,127	15,461,913	18,194,040
Total liabilities	\$ 3,004,950	\$ 16,474,481	\$ 19,479,431
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred revenue-property taxes	\$ 302,784	\$ -	\$ 302,784
Items related to measurement of net pension liability	109,952	38,018	147,970
Total deferred inflows of resources	\$ 412,736	\$ 38,018	\$ 450,754
<b>NET POSITION</b>			
Net investment in capital assets	\$ 6,879,703	\$ 14,968,510	\$ 21,848,213
Restricted for:			
Asset forfeiture	2,392	-	2,392
Taylor park fund	108,296	-	108,296
Unrestricted	1,552,399	75,741	1,628,140
Total net position	\$ 8,542,790	\$ 15,044,251	\$ 23,587,041

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, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 979,006	\$ 315,072	\$ -	\$ -
Public safety	1,639,762	62,056	133,069	-
Public works	1,979,808	82,964	936,586	335,279
Parks, recreation, and cultural	50,109	-	5,000	-
Community development	343,595	2,430	-	-
Interest on long-term debt	56,142	-	-	-
Total governmental activities	\$ 5,048,422	\$ 462,522	\$ 1,074,655	\$ 335,279
Business-type activities:				
Water	\$ 1,414,969	\$ 1,313,480	\$ -	\$ 18,244
Sewer	1,869,725	1,640,701	-	52,905
Total business-type activities	\$ 3,284,694	\$ 2,954,181	\$ -	\$ 71,149
Total primary government	\$ 8,333,116	\$ 3,416,703	\$ 1,074,655	\$ 406,428
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				
Total general revenues				
Change in net position				
Net position - beginning				
Net position - ending				

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (663,934)	\$ -	\$ (663,934)
(1,444,637)	-	(1,444,637)
(624,979)	-	(624,979)
(45,109)	-	(45,109)
(341,165)	-	(341,165)
(56,142)	-	(56,142)
<u>\$ (3,175,966)</u>	<u>\$ -</u>	<u>\$ (3,175,966)</u>
\$ -	\$ (83,245)	\$ (83,245)
<u>-</u>	<u>(176,119)</u>	<u>(176,119)</u>
\$ -	\$ (259,364)	\$ (259,364)
<u>\$ (3,175,966)</u>	<u>\$ (259,364)</u>	<u>\$ (3,435,330)</u>
\$ 728,639	\$ -	\$ 728,639
197,533	-	197,533
239,301	-	239,301
168,235	-	168,235
1,152,548	-	1,152,548
141,655	-	141,655
97,570	-	97,570
118,058	-	118,058
19,514	1,688	21,202
127,104	90,435	217,539
304,340	-	304,340
<u>\$ 3,294,497</u>	<u>\$ 92,123</u>	<u>\$ 3,386,620</u>
\$ 118,531	\$ (167,241)	\$ (48,710)
<u>8,424,259</u>	<u>15,211,492</u>	<u>23,635,751</u>
<u>\$ 8,542,790</u>	<u>\$ 15,044,251</u>	<u>\$ 23,587,041</u>

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## Fund Financial Statements

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Balance Sheet  
Governmental Funds  
As of June 30, 2016

	General	Taylor Park	Capital Projects	Total
<b>ASSETS</b>				
Cash and cash equivalents (Note 1)	\$ 2,539,246	\$ -	\$ -	\$ 2,539,246
Receivables (net of allowance for uncollectibles):				
Taxes receivable (Note 1)	293,892	-	-	293,892
Other local revenues	159,462	-	-	159,462
Due from other funds	160,000	-	-	160,000
Due from other governmental units (Note 3)	175,083	-	-	175,083
Prepaid items	14,294	-	-	14,294
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents	2,392	108,296	-	110,688
Total assets	<u>\$ 3,344,369</u>	<u>\$ 108,296</u>	<u>\$ -</u>	<u>\$ 3,452,665</u>
<b>LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 45,145	\$ -	\$ -	\$ 45,145
Accrued liabilities	33,732	-	-	33,732
Fund overdraft payable	-	-	5,573	5,573
Total liabilities	<u>\$ 78,877</u>	<u>\$ -</u>	<u>\$ 5,573</u>	<u>\$ 84,450</u>
Deferred inflows of resources:				
Unavailable revenue - property taxes	<u>\$ 314,915</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 314,915</u>
Fund balances:				
Nonspendable:				
Prepaid items	\$ 14,294	\$ -	\$ -	\$ 14,294
Restricted:				
Taylor Park fund	-	108,296	-	108,296
Asset forfeiture	2,392	-	-	2,392
Unassigned	<u>2,933,891</u>	<u>-</u>	<u>(5,573)</u>	<u>2,928,318</u>
Total fund balances	<u>\$ 2,950,577</u>	<u>\$ 108,296</u>	<u>\$ (5,573)</u>	<u>\$ 3,053,300</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 3,344,369</u>	<u>\$ 108,296</u>	<u>\$ -</u>	<u>\$ 3,452,665</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, 2016

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	3,053,300	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			8,214,682
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			12,131
Interest paid on long-term debt is not accrued in governmental funds, but rather is recognized when paid.			(11,655)
Employer contributions to the pension plan made during the current year and subsequent to the net pension liability measurement date, which will be recognized as a reduction of the net pension liability next fiscal year, are recorded as deferred outflows and not reported in the funds.			188,327
Certain items related to measurement of the net pension liability are recorded as deferred outflows and not reported in the funds.			46,031
Certain items related to measurement of the net pension liability are recorded as deferred inflows and not reported in the funds.			(109,952)
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	\$	(1,297,200)	
Deferred charge on refunding		64,344	
Capital lease		(102,123)	
Net pension liability		(1,207,763)	
Net OPEB obligation		(158,445)	
Compensated absences		(148,887)	(2,850,074)
Net position of governmental activities	\$		<u>8,542,790</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, 2016

	General	Taylor Park	Capital Projects	Total
<b>REVENUES</b>				
General property taxes	\$ 729,128	\$ -	\$ -	\$ 729,128
Other local taxes	2,114,900	-	-	2,114,900
Permits, privilege fees, and regulatory licenses	2,430	-	-	2,430
Fines and forfeitures	62,056	-	-	62,056
Revenue from the use of money and property	9,858	197	24	10,079
Charges for services	82,964	-	-	82,964
Miscellaneous	139,033	-	9,435	148,468
Recovered costs	23,758	-	-	23,758
Revenue from internal sources	315,072	-	-	315,072
Intergovernmental revenues:				
Commonwealth	1,358,920	-	15,672	1,374,592
Federal	335,279	-	4,403	339,682
Total revenues	\$ 5,173,398	\$ 197	\$ 29,534	\$ 5,203,129
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 759,721	\$ -	\$ -	\$ 759,721
Public safety	1,394,255	-	-	1,394,255
Public works	1,629,591	-	-	1,629,591
Parks, recreation, and cultural	21,629	-	-	21,629
Community development	110,555	-	-	110,555
Nondepartmental	213,362	-	-	213,362
Capital outlay	832,184	-	38,136	870,320
Debt service:				
Principal retirement	162,127	-	-	162,127
Interest and other fiscal charges	30,421	-	-	30,421
Total expenditures	\$ 5,153,845	\$ -	\$ 38,136	\$ 5,191,981
Excess (deficiency) of revenues over (under) expenditures	\$ 19,553	\$ 197	\$ (8,602)	\$ 11,148
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 95,000	\$ -	\$ -	\$ 95,000
Transfers out	-	-	(95,000)	(95,000)
Net change in fund balances	\$ 114,553	\$ 197	\$ (103,602)	\$ 11,148
Fund balances - beginning	2,836,024	108,099	98,029	3,042,152
Fund balances - ending	\$ 2,950,577	\$ 108,296	\$ (5,573)	\$ 3,053,300

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, 2016

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

Net change in fund balances - total governmental funds	\$	11,148
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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	\$	892,153	
Depreciation expense		(573,422)	
Disposal of capital assets		<u>(13,449)</u>	305,282

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(489)
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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	129,250	
Amortization of deferred charge on refunding	(14,617)	
Payments on capital lease	<u>32,877</u>	147,510

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

Increase/(decrease) in pension contributions after measurement date	(17,329)	
Increase/(decrease) in items related to measurement of net pension liability	46,031	
(Increase)/decrease in accrued interest payable	1,320	
(Increase)/decrease in net pension liability	(468,671)	
(Increase)/decrease in net OPEB obligation	(20,970)	
(Increase)/decrease in compensated absences	(30,844)	
(Increase)/decrease in items related to measurement of net pension liability	<u>145,543</u>	<u>(344,920)</u>

Change in net position of governmental activities	\$	<u>118,531</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, 2016

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 889,456	\$ -	\$ 889,456
Accounts receivable (net of allowances for uncollectibles)	176,146	246,331	422,477
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	77,215	-	77,215
Prepaid items	2,895	7,187	10,082
Total current assets	\$ 1,145,712	\$ 253,518	\$ 1,399,230
Noncurrent assets:			
Capital assets (net of accumulated depreciation):			
Land	\$ 160,251	\$ 88,041	\$ 248,292
Waste water treatment plant	-	21,746,893	21,746,893
Buildings	604,560	1,671,151	2,275,711
Equipment and improvements	2,239,410	1,498,181	3,737,591
Water storage facility	2,773,759	-	2,773,759
Total capital assets, net	\$ 5,777,980	\$ 25,004,266	\$ 30,782,246
Total assets	\$ 6,923,692	\$ 25,257,784	\$ 32,181,476
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension contributions after measurement date	\$ 30,438	\$ 38,797	\$ 69,235
Items related to measurement of net pension liability	7,224	8,692	15,916
Total deferred outflows of resources	\$ 37,662	\$ 47,489	\$ 85,151
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued expenses	\$ 10,852	\$ 13,837	\$ 24,689
Accrued interest payable	23,497	9,548	33,045
Bank overdraft payable	-	549,877	549,877
Deposits held	77,215	-	77,215
Compensated absences, current portion	3,058	3,207	6,265
Bonds payable, current portion	104,200	767,154	871,354
Total current liabilities	\$ 218,822	\$ 1,343,623	\$ 1,562,445
Noncurrent liabilities:			
Due to other funds	\$ 160,000	\$ -	\$ 160,000
Net pension liability	189,545	228,046	417,591
Net OPEB obligation	23,073	22,482	45,555
Compensated absences, net of current portion	27,523	28,862	56,385
Bonds payable, net of current portion	1,897,000	13,045,382	14,942,382
Total noncurrent liabilities	\$ 2,297,141	\$ 13,324,772	\$ 15,621,913
Total liabilities	\$ 2,515,963	\$ 14,668,395	\$ 17,184,358
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Items related to measurement of net pension liability	\$ 17,256	\$ 20,762	\$ 38,018
<b>NET POSITION</b>			
Net investment in capital assets	\$ 3,776,780	\$ 11,191,730	\$ 14,968,510
Unrestricted	651,355	(575,614)	75,741
Total net position	\$ 4,428,135	\$ 10,616,116	\$ 15,044,251

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, 2016

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
<b>OPERATING REVENUES</b>			
Charges for services:			
Charges for services and connection fees	\$ 1,313,480	\$ 1,640,701	\$ 2,954,181
Miscellaneous	40,377	50,058	90,435
Total operating revenues	\$ 1,353,857	\$ 1,690,759	\$ 3,044,616
<b>OPERATING EXPENSES</b>			
Personal services	\$ 298,132	\$ 374,969	\$ 673,101
Fringe benefits	184,159	208,532	392,691
Contractual services/maintenance	45,874	56,294	102,168
Materials and supplies	248,595	266,570	515,165
Utilities	135,466	122,522	257,988
Internal services	181,204	147,324	328,528
Other charges	101	933	1,034
Depreciation	264,164	669,056	933,220
Total operating expenses	\$ 1,357,695	\$ 1,846,200	\$ 3,203,895
Operating income (loss)	\$ (3,838)	\$ (155,441)	\$ (159,279)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest earned	\$ 1,688	\$ -	\$ 1,688
Interest and fiscal charges	(57,274)	(23,525)	(80,799)
Total nonoperating revenues (expenses)	\$ (55,586)	\$ (23,525)	\$ (79,111)
Income (loss) before capital contributions, grants, and transfers	\$ (59,424)	\$ (178,966)	\$ (238,390)
Capital contributions and grants	\$ 18,244	\$ 52,905	\$ 71,149
Change in net position	\$ (41,180)	\$ (126,061)	\$ (167,241)
Net Position at Beginning of Year	4,469,315	10,742,177	15,211,492
Net Position at End of Year	\$ 4,428,135	\$ 10,616,116	\$ 15,044,251

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



Statement of Cash Flows  
 Proprietary Funds  
 For the Year Ended June 30, 2016

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 1,343,988	\$ 1,693,174	\$ 3,037,162
Payments to suppliers	(619,252)	(428,027)	(1,047,279)
Payments to and on behalf of employees	(432,224)	(530,521)	(962,745)
Net cash provided by (used for) operating activities	\$ 292,512	\$ 734,626	\$ 1,027,138
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Capital contributions	\$ 18,244	\$ 52,905	\$ 71,149
Principal payments on bonds	(103,000)	(763,054)	(866,054)
Interest payments	(57,977)	(24,477)	(82,454)
Net cash provided by (used for) capital and related financing activities	\$ (142,733)	\$ (734,626)	\$ (877,359)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	\$ 1,688	\$ -	\$ 1,688
Net increase (decrease) in cash and cash equivalents	\$ 151,467	\$ -	\$ 151,467
Cash and cash equivalents - beginning	815,204	-	815,204
Cash and cash equivalents - ending	\$ 966,671	\$ -	\$ 966,671
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>			
Operating income (loss)	\$ (3,838)	\$ (155,441)	\$ (159,279)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation expense	264,164	669,056	933,220
Changes in operating assets, deferred outflows of resources, liabilities, and deferred inflows of resources:			
(Increase) decrease in receivables	(13,029)	2,415	(10,614)
(Increase) decrease in due from other governmental units	-	4,040	4,040
(Increase) decrease in prepaid items	2,119	3,458	5,577
(Increase) decrease in deferred outflows of resources	(6,144)	(9,568)	(15,712)
Increase (decrease) in accounts payable and accrued expenses	(10,131)	1,072	(9,059)
Increase (decrease) in bank overdraft payable	-	157,046	157,046
Increase (decrease) in deposits held	3,160	-	3,160
Increase (decrease) in net pension liability	73,553	88,493	162,046
Increase (decrease) in net OPEB obligation	3,054	2,976	6,030
Increase (decrease) in compensated absences	2,445	(1,441)	1,004
Increase (decrease) in deferred inflows of resources	(22,841)	(27,480)	(50,321)
Net cash provided by (used for) operating activities	\$ 292,512	\$ 734,626	\$ 1,027,138

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

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## TOWN OF ORANGE, VIRGINIA

### Notes to Financial Statements As of June 30, 2016

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

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##### A. Financial Reporting Entity

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

##### Individual Component Unit Disclosures

The Town has no component units.

##### Related Organizations

The Town has no related organizations.

##### Jointly Governed Organizations

The Town has no jointly governed organizations.

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

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

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. 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.

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

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

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

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

Budgetary comparison schedules - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the GASB 34 reporting model, governments provide budgetary comparison information in their annual reports, including the original budget and a comparison of final budget and actual results.

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

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

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

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

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

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

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

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

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

- a. General Fund

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

- b. Capital Projects Fund

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

- c. Special Revenue Funds

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

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

Enterprise Funds

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

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

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

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

When both restricted and unrestricted resources are available for use, it is the 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.
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.

## TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

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

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

Excess expenditures over appropriations:

<u>Fund</u>	<u>Excess of Expenditures Over Appropriations</u>
General	
Administration	\$ 97,202
Nondepartmental	15,966
Total	<u>\$ 113,168</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, 2016, the allowances amounted to \$14,548 for property taxes, \$65,416 for water charges and \$87,920 for sewer charges.

#### F. Cash and Cash Equivalents

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

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

#### G. Restricted Assets

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

#### H. Capital Assets

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



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

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Interest attributable to capitalized assets for the year ended June 30, 2016 was immaterial.

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

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

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

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has two 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 item is comprised of contributions to the pension plan made during the current year and subsequent to the net pension liability measurement date, which will be recognized as a reduction of the net pension liability next fiscal year. For more detailed information on the pension item, reference Note 7.

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 two 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, 2<sup>nd</sup> half installments levied during the fiscal year but due after June 30<sup>th</sup>, and amounts prepaid on the 2<sup>nd</sup> half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2<sup>nd</sup> half installments levied during the fiscal year but due after June 30<sup>th</sup> and amounts prepaid on the 2<sup>nd</sup> half installments are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension liability are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on pension plan investments. For more detailed information on the pension item, reference Note 7.



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

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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.

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.

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

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**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.

**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;

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

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R. Fund Equity: (Continued)

- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund.

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

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

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

S. Upcoming Pronouncements

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2017.

## TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

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

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#### S. Upcoming Pronouncements: (Continued)

Statement No. 77, *Tax Abatement Disclosures*, will increase the disclosure of tax abatement agreements to disclose information about the agreements. The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015.

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged.

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

### NOTE 2—DEPOSITS AND INVESTMENTS:

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#### Deposits:

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

#### 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).

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

Custodial Credit Risk (Investments):

The Town does not have an investment policy.

The Town's investments at June 30, 2016 were held by the Town or in the Town's name by the Town's custodial banks.

Town's Rated Debt Investments		
Investment	S&P Rating	Value
Local Government Investment Pool	AAAm	\$ <u>8,555</u>

Interest Rate Risk

The Town reports investments and the maturities as follows:

Investment Type	Investment Maturity*	
	Value	Less than 1
Local Government Investment Pool	\$ <u>8,555</u>	\$ <u>8,555</u>
Total investments	\$ <u>8,555</u>	\$ <u>8,555</u>

\* Weighted average maturity in years.

External Investment Pools:

The fair value of the positions in the external investment pools (Local Government Investment Pool) is the same as the value of the pool shares. As LGIP is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP is an amortized cost basis portfolio 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	\$ 27,923
Auto rental tax	3,403
Highway construction	107,801
County of Orange:	
Local Sales Tax	<u>35,956</u>
Total	\$ <u>175,083</u>

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

NOTE 4—CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2016 was as follows:

	Balance June 30, 2015	Additions	Retirements	Balance June 30, 2016
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 882,289	\$ 85,177	\$ -	\$ 967,466
Construction in progress	2,210,045	566,140	(2,776,185)	-
Total capital assets, not being depreciated	\$ 3,092,334	\$ 651,317	\$ (2,776,185)	\$ 967,466
Capital assets, being depreciated:				
Buildings	\$ 3,125,805	\$ -	\$ -	\$ 3,125,805
Equipment and improvements	2,643,638	240,836	(27,889)	2,856,585
Road systems	3,366,125	2,776,185	-	6,142,310
Total capital assets being depreciated	\$ 9,135,568	\$ 3,017,021	\$ (27,889)	\$ 12,124,700
Less accumulated depreciation for:				
Buildings	\$ (942,152)	\$ (60,215)	\$ -	\$ (1,002,367)
Equipment and improvements	(2,144,943)	(196,091)	14,440	(2,326,594)
Road systems	(1,231,407)	(317,116)	-	(1,548,523)
Total accumulated depreciation	\$ (4,318,502)	\$ (573,422)	\$ 14,440	\$ (4,877,484)
Total capital assets, being depreciated, net	\$ 4,817,066	\$ 2,443,599	\$ (13,449)	\$ 7,247,216
Governmental activities capital assets, net	\$ 7,909,400	\$ 3,094,916	\$ (2,789,634)	\$ 8,214,682

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

NOTE 4—CAPITAL ASSETS: (CONTINUED)

	Balance June 30, 2015	Additions	Retirements	Balance June 30, 2016
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	\$ (2,069,264)	\$ (86,378)	\$ -	\$ (2,155,642)
Wastewater treatment plant	(1,933,057)	(483,264)	-	(2,416,321)
Equipment and improvements	(6,904,666)	(235,068)	-	(7,139,734)
Water storage facility	(904,927)	(128,510)	-	(1,033,437)
Total accumulated depreciation	\$ (11,811,914)	\$ (933,220)	\$ -	\$ (12,745,134)
Total capital assets, being depreciated, net	\$ 31,467,174	\$ (933,220)	\$ -	\$ 30,533,954
Business-type activities capital assets, net	\$ 31,715,466	\$ (933,220)	\$ -	\$ 30,782,246

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

NOTE 4—CAPITAL ASSETS: (CONTINUED)

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

Governmental activities:

General government administration	\$	162,477
Public safety		64,374
Public works		341,491
Parks, recreation and cultural		<u>5,080</u>

Total depreciation expense - governmental activities	\$	<u><u>573,422</u></u>
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Business-type activities:

Water	\$	264,164
Sewer		<u>669,056</u>

Total depreciation expense - business-type activities	\$	<u><u>933,220</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, 2016:

	Balance June 30, 2015	Increases	Decreases	Balance June 30, 2016
General Obligation Bonds	\$ 1,426,450	\$ -	\$ 129,250	\$ 1,297,200
Capital Lease	135,000	-	32,877	102,123
Net Pension Liability (Note 7)	739,092	743,108	274,437	1,207,763
Net OPEB Obligation (Note 12)	137,475	21,747	777	158,445
Compensated Absences (Note 6)	<u>118,043</u>	<u>30,844</u>	<u>-</u>	<u>148,887</u>
Total	<u>\$ 2,556,060</u>	<u>\$ 795,699</u>	<u>\$ 437,341</u>	<u>\$ 2,914,418</u>



TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

NOTE 5—LONG-TERM OBLIGATIONS: (CONTINUED)

Governmental Activities: (Continued)

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 167,402	\$ 27,007
2018	170,338	23,652
2019	173,283	20,237
2020	141,000	16,765
2021	143,350	13,850
2022-2025	<u>603,950</u>	<u>22,158</u>
Total	<u>\$ 1,399,323</u>	<u>\$ 123,669</u>

Details of Long-term Obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
\$1,445,250 General obligation bonds issued July 22, 2013 payable in annual principal payments beginning August 1, 2014 ranging from \$18,800 to \$155,100 and semi-annual interest payments at 2.05%. Final payment due August 1, 2024.	\$ 1,297,200	\$ 133,950
\$135,000 Capital lease dated February 5, 2015 with annual payments of \$35,239, including interest of 1.75%. Final installment due June 30, 2019.	102,123	33,452
Net pension liability (Note 7)	1,207,763	-
Compensated absences (Note 6)	148,887	14,889
Net OPEB obligation (Note 12)	<u>158,445</u>	<u>-</u>
Total governmental activities long-term obligations	<u>\$ 2,914,418</u>	<u>\$ 182,291</u>

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (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	<u>(59,062)</u>
Total	<u>\$ 88,593</u>

Business-type Activities:

Changes in Long-term Obligations:

	Balance June 30, 2015	Increases	Decreases	Balance June 30, 2016
General Obligation Bonds	\$ 3,348,549	\$ -	\$ 215,750	\$ 3,132,799
Revenue Bonds	13,331,240	-	650,303	12,680,937
Net Pension Liability (Note 7)	255,545	256,935	94,889	417,591
Net OPEB obligation (Note 12)	39,525	6,253	223	45,555
Compensated Absences (Note 6)	<u>61,646</u>	<u>1,004</u>	<u>-</u>	<u>62,650</u>
Total	<u>\$ 17,036,505</u>	<u>\$ 264,192</u>	<u>\$ 961,165</u>	<u>\$ 16,339,532</u>

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

Year Ending June 30,	Principal	Interest
2017	\$ 871,354	\$ 77,188
2018	884,004	71,925
2019	886,654	66,387
2020	889,304	60,795
2021	891,954	55,148
2022-2026	4,392,572	183,845
2027-2031	3,776,522	87,025
2032-2036	<u>3,221,372</u>	<u>13,203</u>
Total	<u>\$ 15,813,736</u>	<u>\$ 615,516</u>

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (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.	\$ 12,680,937	\$ 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.	1,462,799	151,050
\$1,845,000 General obligation bonds issued July 22, 2013 payable in semi-annual principal payments beginning February 1, 2014 ranging from \$35,000 to \$60,000 and semi-annual interest payments at 2.95%. Final payment due August 1, 2033.	<u>1,670,000</u>	<u>70,000</u>
Total bonds payable	\$ 15,813,736	\$ 871,354
Net pension liability (Note 7)	\$ 417,591	\$ -
Compensated absences (Note 6)	62,650	6,265
Net OPEB obligation (Note 12)	<u>45,555</u>	<u>-</u>
Total business-type long-term obligations	<u>\$ 16,339,532</u>	<u>\$ 877,619</u>

NOTE 6—COMPENSATED ABSENCES:

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

Town employees earn annual leave at various rates. No benefits or pay is received for unused sick leave upon termination. Accumulated vacation and banked holidays are paid upon termination up to a maximum of 240 hours. The Town's general fund has outstanding accrued leave pay totaling \$148,887 and the Enterprise Funds have outstanding accrued leave pay of \$62,650.

# TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

## NOTE 7—PENSION PLAN:

### *Plan Description*

All full-time, salaried permanent employees of the Town are automatically covered by VRS Retirement Plan upon employment. This agent multiple-employer plan is 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><b>About Plan 1</b> Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p><b>About Plan 2</b> Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for 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><b>About the Hybrid Retirement Plan</b> The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members")</p> <ul style="list-style-type: none"> <li>• The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</li> <li>• 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.</li> </ul>

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (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"> <li>• 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.</li> </ul>
<p><b>Eligible Members</b> Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p><b>Hybrid Opt-In Election</b> 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><b>Eligible Members</b> 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><b>Hybrid Opt-In Election</b> 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><b>Eligible Members</b> 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"> <li>• Political subdivision employees*</li> <li>• 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.</li> </ul> <p><b>*Non-Eligible Members</b> Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> <li>• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.</li> </ul>

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Hybrid Opt-In Election (Cont.)</b> 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><b>Hybrid Opt-In Election (Cont.)</b> 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><b>*Non-Eligible Members (Cont.)</b> 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><b>Retirement Contributions</b> Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p><b>Retirement Contributions</b> Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</p>	<p><b>Retirement Contributions</b> 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, 2016 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Creditable Service</b> 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><b>Creditable Service</b> Same as Plan 1.</p>	<p><b>Creditable Service</b> <u><b>Defined Benefit Component:</b></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><b>Defined Contributions Component:</b></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, 2016 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Vesting</b> 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><b>Vesting</b> Same as Plan 1.</p>	<p><b>Vesting</b> <u><b>Defined Benefit Component:</b></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><b>Defined Contributions Component:</b></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"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> </ul>



TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (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.)</p> <p><u>Defined Contributions Component: (Cont.)</u></p> <ul style="list-style-type: none"> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul> <p>Distribution is not required by law until age 70½.</p>
<p><b>Calculating the Benefit</b> 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><b>Calculating the Benefit</b> See definition under Plan 1.</p>	<p><b>Calculating the Benefit</b> <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, 2016 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Average Final Compensation</b> A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b> A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b> Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p><b>Service Retirement Multiplier</b> <b>VRS:</b> 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><b>Sheriffs and regional jail superintendents:</b> The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p><b>Political subdivision hazardous duty employees:</b> 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><b>Service Retirement Multiplier</b> <b>VRS:</b> 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><b>Sheriffs and regional jail superintendents:</b> Same as Plan 1.</p> <p><b>Political subdivision hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Service Retirement Multiplier</b> <b>Defined Benefit Component:</b> <b>VRS:</b> 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><b>Sheriffs and regional jail superintendents:</b> Not applicable.</p> <p><b>Political subdivision hazardous duty employees:</b> Not applicable.</p> <p><b>Defined Contribution Component:</b> Not applicable.</p>
<p><b>Normal Retirement Age</b> <b>VRS:</b> Age 65.</p> <p><b>Political subdivisions hazardous duty employees:</b> Age 60.</p>	<p><b>Normal Retirement Age</b> <b>VRS:</b> Normal Social Security retirement age.</p> <p><b>Political subdivisions hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Normal Retirement Age</b> <b>Defined Benefit Component:</b> <b>VRS:</b> Same as Plan 2.</p> <p><b>Political subdivisions hazardous duty employees:</b> Not applicable.</p> <p><b>Defined Contribution Component:</b> 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, 2016 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Earliest Unreduced Retirement Eligibility</b> 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><b>Political subdivisions hazardous duty employees:</b> Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b> 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><b>Political subdivisions hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b> <u><b>Defined Benefit Component:</b></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><b>Political subdivisions hazardous duty employees:</b> Not applicable.</p> <p><u><b>Defined Contribution Component:</b></u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Earliest Reduced Retirement Eligibility</b> 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><b>Political subdivisions hazardous duty employees:</b> 50 with at least five years of creditable service.</p>	<p><b>Earliest Reduced Retirement Eligibility</b> VRS: Age 60 with at least five years (60 months) of creditable service.</p> <p><b>Political subdivisions hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Earliest Reduced Retirement Eligibility</b> <u><b>Defined Benefit Component:</b></u> VRS: Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p> <p><b>Political subdivisions hazardous duty employees:</b> Not applicable.</p> <p><u><b>Defined Contribution Component:</b></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, 2016 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> 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><b><u>Eligibility:</u></b> 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><b><u>Exceptions to COLA Effective Dates:</u></b> 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"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> </ul>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> 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><b><u>Eligibility:</u></b> Same as Plan 1.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> <b><u>Defined Benefit Component:</u></b> Same as Plan 2.</p> <p><b><u>Defined Contribution Component:</u></b> Not applicable.</p> <p><b><u>Eligibility:</u></b> Same as Plan 1 and Plan 2.</p>

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</b></p> <p><b><u>Exceptions to COLA Effective Dates: (Cont.)</u></b></p> <ul style="list-style-type: none"> <li>• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</li> <li>• 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.</li> <li>• 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.</li> </ul>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</b></p> <p><b><u>Exceptions to COLA Effective Dates:</u></b></p> <p>Same as Plan 1.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</b></p> <p><b><u>Exceptions to COLA Effective Dates:</u></b></p> <p>Same as Plan 1 and Plan 2.</p>
<p><b>Disability Coverage</b></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><b>Disability Coverage</b></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><b>Disability Coverage</b></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, 2016 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<b>Disability Coverage (Cont.)</b>  VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	<b>Disability Coverage (Cont.)</b>  VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	<b>Disability Coverage (Cont.)</b>  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.
<b>Purchase of Prior Service</b> Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	<b>Purchase of Prior Service</b> Same as Plan 1.	<b>Purchase of Prior Service</b> <u><b>Defined Benefit Component:</b></u> Same as Plan 1, with the following exceptions: <ul style="list-style-type: none"> <li>• Hybrid Retirement Plan members are ineligible for ported service.</li> <li>• The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.</li> <li>• Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost.</li> </ul> <u><b>Defined Contribution Component:</b></u> Not applicable.

The system issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-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, 2016 (Continued)

### NOTE 7—PENSION PLAN: (CONTINUED)

#### *Employees Covered by Benefit Terms*

As of the June 30, 2014 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	28
Inactive members:	
Vested inactive members	16
Non-vested inactive members	23
Inactive members active elsewhere in VRS	<u>48</u>
Total inactive members	87
Active members	<u>54</u>
Total covered employees	<u><u>169</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% 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 contribution rate for the year ended June 30, 2016 was 11.75% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

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 \$257,562 and \$275,028 for the years ended June 30, 2016 and June 30, 2015, respectively.

#### *Net Pension Liability*

The Town's net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

## TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

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### NOTE 7—PENSION PLAN: (CONTINUED)

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#### *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, 2014, 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, 2015.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	7.0%, net of pension plan investment expense, 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: 14% of deaths are assumed to be service related

#### Largest 10 - Non-LEOS:

##### Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

##### Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

##### Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

#### All Others (Non 10 Largest) - Non-LEOS:

##### Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

##### Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

##### Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement



## TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

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### NOTE 7—PENSION PLAN: (CONTINUED)

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#### *Actuarial Assumptions - General Employees (Continued)*

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

#### *Actuarial Assumptions - Public Safety Employees*

The total pension liability for Public Safety employees in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2014, 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, 2015.

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

## TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

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### NOTE 7—PENSION PLAN: (CONTINUED)

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#### *Actuarial Assumptions - Public Safety Employees (Continued)*

Mortality rates: 60% of deaths are assumed to be service related

Largest 10 - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

*Long-Term Expected Rate of Return*

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
		Inflation	2.50%
		*Expected arithmetic nominal return	8.33%

\* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

*Discount Rate*

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, 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, 2018 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.

*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, 2014	\$ 6,695,688	\$ 5,701,051	\$ 994,637
Changes for the year:			
Service cost	\$ 319,585	\$ -	\$ 319,585
Interest	458,693	-	458,693
Changes in benefit terms	416,043	-	416,043
Differences between expected and actual experience	91,586	-	91,586
Contributions - employer	-	275,028	(275,028)
Contributions - employee	-	118,347	(118,347)
Net investment income	-	265,333	(265,333)
Benefit payments, including refunds of employee contributions	(285,864)	(285,864)	-
Administrative expenses	-	(3,462)	3,462
Other changes	-	(56)	56
Net changes	\$ 1,000,043	\$ 369,326	\$ 630,717
Balances at June 30, 2015	\$ 7,695,731	\$ 6,070,377	\$ 1,625,354

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

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

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
Net Pension Liability	2,858,195	1,625,354	623,870

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

For the year ended June 30, 2016, the Town recognized pension expense of \$647,934. At June 30, 2016, 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	\$ 61,947	\$ -
Net difference between projected and actual earnings on pension plan investments	-	147,970
Employer contributions subsequent to the measurement date	257,562	-
Total	\$ 319,509	\$ 147,970

\$257,562 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, 2017. 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	
2017	\$ (28,844)
2018	(28,844)
2019	(55,812)
2020	27,477

## TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

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### NOTE 8—DEFERRED/UNAVAILABLE REVENUE:

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

Unavailable Property Tax Revenue - Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$289,857 (including 2nd ½ tax billings of \$277,726 not due until December 5) at June 30, 2016.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2016 but paid in advance by the taxpayers totaled \$25,058 at June 30, 2016.

### NOTE 9—INTERFUND LOANS AND TRANSFERS:

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

### NOTE 10—RISK MANAGEMENT:

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

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

### NOTE 11—CLAIMS AND ASSESSMENTS:

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As reported in the June 30, 2015 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. Subsequent to June 30, 2016 the Town and County entered into an agreement effective October 2016 providing for a resolution to this matter. In settlement of the outstanding dispute the Town and County agreed to enter into a project to construct a cell tower. The Town will be the project manager and will construct the tower on Town owned property. The Town and County will jointly own the tower and will share in the net income generated from the lease of the tower. Provisions of the settlement agreement provide for repayment of a specified amount of the overpaid sales tax to the County, if and only if the Town fails to complete the tower project.

**NOTE 12—OTHER POSTEMPLOYMENT BENEFITS:**

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Background

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

**A. Plan Description**

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

**B. Funding Policy**

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

**C. Annual OPEB Cost and Net OPEB Obligation**

The annual cost of other postemployment benefits under GASB 45 is called the annual required contribution (ARC). The estimated pay-as-you-go cost for OPEB benefits is \$28,000 for fiscal year 2016. The Town is required to contribute the annual required contribution of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

NOTE 12—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

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

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

Annual required contribution	\$	28,000
Interest on net OPEB obligation		7,000
Adjustment to annual required contribution		<u>(7,000)</u>
Annual OPEB cost (expense)	\$	28,000
Contributions made		<u>(1,000)</u>
Increase in net OPEB obligation	\$	27,000
Net OPEB obligation - beginning of year		<u>177,000</u>
Net OPEB obligation - end of year	\$	<u><u>204,000</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the prior two years are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2014	\$ 33,000	3%	\$ 142,000
June 30, 2015	37,000	5%	177,000
June 30, 2016	28,000	4%	204,000



**NOTE 12—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)****D. Funding Status and Funding Progress:**

The funded status of the plan as of July 1, 2015 is as follows:

Actuarial accrued liability (AAL)	\$	288,000
Actuarial value of plan assets		-
Unfunded actuarial accrued liability		288,000
Funded ratio (actuarial value of plan assets / AAL)		0%
Covered payroll (active plan members)		2,055,000
UAAL as a percentage of covered payroll		14.03%

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

**E. Actuarial Methods and Assumptions:**

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

In the July 1, 2015 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return and an annual healthcare cost trend rate of 7.50 percent initially, reduced by decrements to an ultimate rate of 5.00 percent after 5 years. Both rates included a 3.00 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five year-year period. The UAAL is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at July 1, 2015 was 30 years.

## TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

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

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#### E. Actuarial Methods and Assumptions: (Continued)

##### Actuarial Cost Method

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

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

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

##### Interest Assumptions

	<u>Unfunded</u>
Investment rate of return	4.00%
Health cost trend assumption	7.50%
Payroll growth	2.50%

### NOTE 13—ADOPTION OF ACCOUNTING PRINCIPLES:

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#### Governmental Accounting Standards Board Statement No. 72, Fair Value Measurement and Application

The Town implemented the provisions of the above Statement during the fiscal year ended June 30, 2016. The Statement generally requires investments to be measured at fair value. The Statement requires the Town to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or an income approach. The Statement establishes a hierarchy of inputs used to measure fair value. There was no material impact on the Town's financial statement as a result of the implementation of Statement No. 72. All required disclosures are located in Note 2.

### **Required Supplementary Information**

Note to Required Supplementary Information:

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

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

## General Fund

For the Year Ended June 30, 2016

	General Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
General property taxes	\$ 735,400	\$ 735,400	\$ 729,128	\$ (6,272)
Other local taxes/revenues	1,962,100	1,962,100	2,114,900	152,800
Permits, fees, and regulatory licenses	5,100	5,100	2,430	(2,670)
Fines and forfeitures	68,000	68,000	62,056	(5,944)
Revenues from use of money and property	8,900	8,900	9,858	958
Charges for services	105,360	105,360	82,964	(22,396)
Miscellaneous revenue	312,666	470,233	139,033	(331,200)
Recovered costs	13,100	13,100	23,758	10,658
Revenue from internal sources	315,072	315,072	315,072	-
Intergovernmental revenues:				
Commonwealth	2,031,185	2,175,185	1,358,920	(816,265)
Federal	-	998,540	335,279	(663,261)
Total revenues	\$ 5,556,883	\$ 6,856,990	\$ 5,173,398	\$ (1,683,592)
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 662,519	\$ 662,519	\$ 759,721	\$ (97,202)
Public safety	1,428,256	1,428,256	1,394,255	34,001
Public works	2,024,973	2,024,973	1,629,591	395,382
Parks, recreation, and cultural	30,000	30,000	21,629	8,371
Community development	174,948	174,948	110,555	64,393
Nondepartmental	197,396	197,396	213,362	(15,966)
Capital projects	846,229	2,146,336	832,184	1,314,152
Debt service:				
Principal	162,127	162,127	162,127	-
Interest and finance charges	30,435	30,435	30,421	14
Total expenditures	\$ 5,556,883	\$ 6,856,990	\$ 5,153,845	\$ 1,703,145
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 19,553	\$ 19,553
<b>OTHER FINANCING SOURCES (USES)</b>				
Net operating transfers	\$ -	\$ -	\$ 95,000	\$ 95,000
Net change in fund balances	\$ -	\$ -	\$ 114,553	\$ 114,553
Fund Balance at Beginning of Year	-	-	2,836,024	2,836,024
Fund Balance at End of Year	\$ -	\$ -	\$ 2,950,577	\$ 2,950,577

Schedule of Components of and Changes in Net Pension Liability and Related Ratios  
For the Year Ended June 30, 2016

	2015	2014
<b>Total pension liability</b>		
Service cost	\$ 319,585	\$ 224,518
Interest	458,693	431,065
Changes in benefit terms	416,043	-
Differences between expected and actual experience	91,586	-
Benefit payments, including refunds of employee contributions	(285,864)	(235,941)
<b>Net change in total pension liability</b>	<b>\$ 1,000,043</b>	<b>\$ 419,642</b>
<b>Total pension liability - beginning</b>	<b>6,695,688</b>	<b>6,276,046</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 7,695,731</b>	<b>\$ 6,695,688</b>
 <b>Plan fiduciary net position</b>		
Contributions - employer	\$ 275,028	\$ 209,608
Contributions - employee	118,347	125,102
Net investment income	265,333	771,541
Benefit payments, including refunds of employee contributions	(285,864)	(235,941)
Administrative expense	(3,462)	(4,035)
Other	(56)	41
<b>Net change in plan fiduciary net position</b>	<b>\$ 369,326</b>	<b>\$ 866,316</b>
<b>Plan fiduciary net position - beginning</b>	<b>5,701,051</b>	<b>4,834,735</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 6,070,377</b>	<b>\$ 5,701,051</b>
 <b>Town's net pension liability - ending (a) - (b)</b>	<b>\$ 1,625,354</b>	<b>\$ 994,637</b>
 <b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>78.88%</b>	<b>85.15%</b>
 <b>Covered payroll</b>	<b>\$ 2,344,581</b>	<b>\$ 2,330,120</b>
 <b>Town's net pension liability as a percentage of covered payroll</b>	<b>69.32%</b>	<b>42.69%</b>

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  
For the Year Ended June 30, 2016

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Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
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%
2008	128,212	128,212	-	2,012,749	6.37%
2007	122,539	122,539	-	1,923,694	6.37%

Notes to Required Supplementary Information  
For the Year Ended June 30, 2016

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In 2015, Covered Employee Payroll (as defined by GASB 68) included the total payroll for employees covered under the pension plan whether that payroll is subject to pension coverage or not. This definition was modified in GASB Statement No. 82 and now is the payroll on which contributions to a pension plan are based. The ratios presented use the same measure.

**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 was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 are not material.

**Changes of assumptions** - The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) - LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability



Schedule of OPEB Funding Progress  
For the Year Ended June 30, 2016

Other Post-employment Benefits						
Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a) (c)	Funded Ratio (a/b) (d)	Annual Covered Payroll (e)	UAAL as % of Covered Payroll (c/e) (f)
06/30/10	\$ -	\$ 190,000	\$ 190,000	0.00%	\$ 2,278,000	8.30%
07/01/12	-	270,000	270,000	0.00%	2,277,000	11.88%
07/01/15	-	288,000	288,000	0.00%	2,055,000	14.03%

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## Other Supplementary Information

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## Supporting Schedules

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Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2016

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 543,000	\$ 543,000	\$ 554,425	\$ 11,425
Personal property taxes	157,000	157,000	147,114	(9,886)
Public service corporation taxes	22,000	22,000	27,335	5,335
Delinquent taxes	13,400	13,400	254	(13,146)
Total general property taxes	\$ 735,400	\$ 735,400	\$ 729,128	\$ (6,272)
Other local taxes/revenues				
Local sales and use taxes	\$ 174,000	\$ 174,000	\$ 197,533	\$ 23,533
Consumers' utility taxes	231,400	231,400	239,301	7,901
Electric consumption taxes	17,000	17,000	16,767	(233)
Motor vehicle licenses	88,000	88,000	93,495	5,495
Bank franchise taxes	150,000	150,000	168,235	18,235
Restaurant food taxes	1,062,000	1,062,000	1,152,548	90,548
Business License	8,700	8,700	7,796	(904)
Transient/occupancy tax	134,000	134,000	141,655	7,655
Cigarette tax	97,000	97,000	97,570	570
Total other local taxes/revenues	\$ 1,962,100	\$ 1,962,100	\$ 2,114,900	\$ 152,800
Permits, fees, and regulatory licenses:				
Planning and development fees	\$ 5,000	\$ 5,000	\$ 2,005	\$ (2,995)
Construction permits/fees	100	100	425	325
Total permits, fees, and regulatory licenses	\$ 5,100	\$ 5,100	\$ 2,430	\$ (2,670)
Fines and forfeitures:				
Court fines and forfeitures	\$ 68,000	\$ 68,000	\$ 62,056	\$ (5,944)
Revenue from use of money and property:				
Revenue from use of money	\$ 4,400	4,400	\$ 4,248	\$ (152)
Revenue from use of property	4,500	4,500	5,610	1,110
Total revenue from use of money and property	\$ 8,900	\$ 8,900	\$ 9,858	\$ 958
Charges for services:				
Refuse collection	\$ 81,000	\$ 81,000	\$ 77,889	\$ (3,111)
Transit fees	24,360	24,360	5,075	(19,285)
Total charges for services	\$ 105,360	\$ 105,360	\$ 82,964	\$ (22,396)

Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2016 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Revenue from Local Sources: (Continued)				
Miscellaneous revenue:				
Reserve funds	\$ 292,366	\$ 449,933	\$ -	\$ (449,933)
Administrative fees	6,900	6,900	8,032	1,132
Proceeds from the sale of surplus property	-	-	9,839	9,839
Proceeds from the sale of recycled material	-	-	2,090	2,090
Revenue refunds	9,900	9,900	115,521	105,621
Miscellaneous	3,500	3,500	3,551	51
Total miscellaneous revenue	\$ 312,666	\$ 470,233	\$ 139,033	\$ (331,200)
Recovered costs:				
Expenditure refunds	\$ 13,100	\$ 13,100	\$ 23,758	\$ 10,658
Revenue from internal sources:				
Internal charges	\$ 315,072	\$ 315,072	\$ 315,072	\$ -
Total revenue from local sources	\$ 3,525,698	\$ 3,683,265	\$ 3,479,199	\$ (204,066)
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home registration	\$ 80	\$ 80	\$ -	\$ (80)
Rolling stock tax	7,500	7,500	7,665	165
Motor vehicle carriers' tax	36,000	36,000	36,110	110
Communications tax	177,000	177,000	170,950	(6,050)
Personal property tax relief funds	89,615	89,615	89,615	-
Total noncategorical aid	\$ 310,195	\$ 310,195	\$ 304,340	\$ (5,855)
Categorical aid:				
State Highway Funds	\$ 871,100	\$ 871,100	\$ 905,897	\$ 34,797
VDOT Paving reimbursement	110,000	254,000	-	(254,000)
ISTEA Railroad Avenue	620,983	620,983	27,886	(593,097)
Aid to localities with police departments	103,032	103,032	103,032	-
Fire Program Grants	11,375	11,375	14,962	3,587
Miscellaneous Grants	2,000	2,000	-	(2,000)
Litter Control Grant	2,500	2,500	2,803	303
Total categorical aid	\$ 1,720,990	\$ 1,864,990	\$ 1,054,580	\$ (810,410)
Total revenue from the commonwealth	\$ 2,031,185	\$ 2,175,185	\$ 1,358,920	\$ (816,265)
Revenue from the Federal Government:				
Categorical aid:				
Highway Planning and Construction	\$ -	\$ 998,540	\$ 335,279	\$ (663,261)
<b>Total General Fund</b>	<b>\$ 5,556,883</b>	<b>\$ 6,856,990</b>	<b>\$ 5,173,398</b>	<b>\$ (1,683,592)</b>



Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2016 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Special Revenue Fund:</b>				
<b>Taylor Park Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 197	\$ 197
Total revenue from local sources	\$ -	\$ -	\$ 197	\$ 197
Total Taylor Park Fund	\$ -	\$ -	\$ 197	\$ 197
<b>Capital Projects Fund:</b>				
<b>General Capital Projects Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 24	\$ 24
Miscellaneous revenue:				
Other miscellaneous	\$ -	\$ -	\$ 9,435	\$ 9,435
Total revenue from local sources	\$ -	\$ -	\$ 9,459	\$ 9,459
Revenue from the Commonwealth:				
Categorical aid:				
Virginia Arts Commission	\$ -	\$ -	\$ 5,000	\$ 5,000
Asset forfeiture	-	-	10,672	10,672
Total categorical aid	\$ -	\$ -	\$ 15,672	\$ 15,672
Total revenue from the commonwealth	\$ -	\$ -	\$ 15,672	\$ 15,672
Revenue from the federal government:				
Categorical aid:				
Byrne Memorial Grant	\$ -	\$ -	\$ 3,071	\$ 3,071
Asset forfeiture	-	-	1,332	1,332
Total categorical aid	\$ -	\$ -	\$ 4,403	\$ 4,403
Total revenue from the federal government	\$ -	\$ -	\$ 4,403	\$ 4,403
Total Capital Projects Fund	\$ -	\$ -	\$ 29,534	\$ 29,534
Total Primary Government	\$ 5,556,883	\$ 6,856,990	\$ 5,203,129	\$ (1,653,861)

Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2016

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund:</b>				
General government administration:				
Legislative:				
Town Council	\$ 46,957	\$ 46,957	\$ 133,267	\$ (86,310)
General and financial administration:				
Town manager	\$ 266,981	\$ 266,981	\$ 258,596	\$ 8,385
Professional services	37,850	37,850	38,940	(1,090)
Elections	5,000	5,000	2,988	2,012
Treasurer/finance	305,731	305,731	325,930	(20,199)
Total general and financial administration	\$ 615,562	\$ 615,562	\$ 626,454	\$ (10,892)
Total general government administration	\$ 662,519	\$ 662,519	\$ 759,721	\$ (97,202)
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 1,356,881	\$ 1,356,881	\$ 1,319,293	\$ 37,588
Fire and rescue services:				
Volunteer fire departments	\$ 51,375	\$ 51,375	\$ 54,962	\$ (3,587)
Rescue squad	20,000	20,000	20,000	-
Total fire and rescue services	\$ 71,375	\$ 71,375	\$ 74,962	\$ (3,587)
Total public safety	\$ 1,428,256	\$ 1,428,256	\$ 1,394,255	\$ 34,001
Public works:				
Streets and general maintenance	\$ 1,695,093	\$ 1,695,093	\$ 1,317,901	\$ 377,192
Refuse collection and disposal	163,438	163,438	134,239	29,199
Municipal building	42,865	42,865	45,917	(3,052)
Depot	17,000	17,000	9,059	7,941
TOOT	106,577	106,577	122,475	(15,898)
Total public works	\$ 2,024,973	\$ 2,024,973	\$ 1,629,591	\$ 395,382
Parks, recreation, and cultural:				
Parks and recreation	\$ 30,000	\$ 30,000	\$ 21,629	\$ 8,371
Total parks, recreation, and cultural	\$ 30,000	\$ 30,000	\$ 21,629	\$ 8,371

Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2016 (Continued)

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Community development:				
Planning and community development	\$ 174,948	\$ 174,948	\$ 110,555	\$ 64,393
Total community development	\$ 174,948	\$ 174,948	\$ 110,555	\$ 64,393
Nondepartmental:				
Insurance	\$ 35,596	\$ 35,596	\$ 42,872	\$ (7,276)
Revenue refunds	-	-	2,764	(2,764)
Contractual services	26,500	26,500	36,529	(10,029)
Bank service charges	15,000	15,000	12,423	2,577
Miscellaneous	5,000	5,000	4,074	926
Donations	115,300	115,300	114,700	600
Total nondepartmental	\$ 197,396	\$ 197,396	\$ 213,362	\$ (15,966)
Capital expenditures:				
Capital outlay	\$ 846,229	\$ 2,146,336	\$ 832,184	\$ 1,314,152
Debt service:				
Principal	\$ 162,127	\$ 162,127	\$ 162,127	\$ -
Interest	30,435	30,435	30,421	14
Total debt service	\$ 192,562	\$ 192,562	\$ 192,548	\$ 14
<b>Total General Fund</b>	<b>\$ 5,556,883</b>	<b>\$ 6,856,990</b>	<b>\$ 5,153,845</b>	<b>\$ 1,703,145</b>
<b>Capital Projects Fund:</b>				
General Capital projects expenditures:				
Capital projects expenditures	\$ -	\$ -	\$ 38,136	\$ (38,136)
<b>Total Capital Projects Fund</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 38,136</b>	<b>\$ (38,136)</b>
<b>Total Primary Government</b>	<b>\$ 5,556,883</b>	<b>\$ 6,856,990</b>	<b>\$ 5,191,981</b>	<b>\$ 1,665,009</b>

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## Other Statistical Information

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities										
Net investment in capital assets	\$ 3,525,251	\$ 3,650,697	\$ 3,715,756	\$ 3,604,767	\$ 3,430,421	\$ 3,458,415	\$ 3,493,408	\$ 4,343,194	\$ 6,426,911	\$ 6,879,703
Restricted	19,745	5,195	2,380	2,387	2,392	134,670	110,059	110,273	110,491	110,688
Unrestricted	<u>2,163,738</u>	<u>2,567,533</u>	<u>2,654,441</u>	<u>2,883,587</u>	<u>2,992,024</u>	<u>2,940,650</u>	<u>3,807,987</u>	<u>3,262,813</u>	<u>1,886,857</u>	<u>1,552,399</u>
Total governmental activities net position	<u>\$ 5,708,734</u>	<u>\$ 6,223,425</u>	<u>\$ 6,372,577</u>	<u>\$ 6,490,741</u>	<u>\$ 6,424,837</u>	<u>\$ 6,533,735</u>	<u>\$ 7,411,454</u>	<u>\$ 7,716,280</u>	<u>\$ 8,424,259</u>	<u>\$ 8,542,790</u>
Business-type activities										
Net investment in capital assets	\$ 3,771,954	\$ 3,003,648	\$ 6,946,933	\$ 11,521,538	\$ 15,481,745	\$ 15,193,913	\$ 15,080,241	\$ 15,130,074	\$ 15,035,677	\$ 14,968,510
Restricted	-	-	-	-	-	68,639	-	-	-	-
Unrestricted	<u>2,978,760</u>	<u>4,442,193</u>	<u>4,368,814</u>	<u>4,029,344</u>	<u>1,535,331</u>	<u>886,604</u>	<u>248,257</u>	<u>692,690</u>	<u>175,815</u>	<u>75,741</u>
Total business-type activities net position	<u>\$ 6,750,714</u>	<u>\$ 7,445,841</u>	<u>\$ 11,315,747</u>	<u>\$ 15,550,882</u>	<u>\$ 17,017,076</u>	<u>\$ 16,149,156</u>	<u>\$ 15,328,498</u>	<u>\$ 15,822,764</u>	<u>\$ 15,211,492</u>	<u>\$ 15,044,251</u>
Primary government										
Net investment in capital assets	\$ 7,297,205	\$ 6,654,345	\$ 10,662,689	\$ 15,126,305	\$ 18,912,166	\$ 18,652,328	\$ 18,573,649	\$ 19,473,268	\$ 21,462,588	\$ 21,848,213
Restricted	19,745	5,195	2,380	2,387	2,392	203,309	110,059	110,273	110,491	110,688
Unrestricted	<u>5,142,498</u>	<u>7,009,726</u>	<u>7,023,255</u>	<u>6,912,931</u>	<u>4,527,355</u>	<u>3,827,254</u>	<u>4,056,244</u>	<u>3,955,503</u>	<u>2,062,672</u>	<u>1,628,140</u>
Total primary government net position	<u>\$ 12,459,448</u>	<u>\$ 13,669,266</u>	<u>\$ 17,688,324</u>	<u>\$ 22,041,623</u>	<u>\$ 23,441,913</u>	<u>\$ 22,682,891</u>	<u>\$ 22,739,952</u>	<u>\$ 23,539,044</u>	<u>\$ 23,635,751</u>	<u>\$ 23,587,041</u>

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Expenses</b>										
Governmental activities:										
General government administration	\$ 430,093	\$ 802,974	\$ 744,923	\$ 822,347	\$ 854,434	\$ 898,399	\$ 775,161	\$ 854,920	\$ 856,706	\$ 979,006
Public safety	1,078,322	1,225,816	1,268,803	1,248,816	1,275,689	1,377,427	1,455,083	1,510,652	1,552,517	1,639,762
Public works	1,645,944	1,816,378	1,435,223	1,980,259	1,834,837	1,905,767	1,699,846	1,736,332	2,228,490	1,979,808
Parks, recreation and cultural	122,396	146,267	139,744	132,620	57,976	60,559	71,913	52,195	58,421	50,109
Community development	144,165	240,018	489,958	176,336	243,143	207,866	237,908	221,693	246,980	343,595
Non-departmental	78,453	-	-	-	-	-	-	-	-	-
Interest on long-term debt	83,875	79,172	81,199	78,545	75,574	71,701	67,167	14,114	61,723	56,142
Total governmental activities expenses	\$ 3,583,248	\$ 4,310,625	\$ 4,159,850	\$ 4,438,923	\$ 4,341,653	\$ 4,521,719	\$ 4,307,078	\$ 4,389,906	\$ 5,004,837	\$ 5,048,422
Business-type activities:										
Water	\$ 1,195,174	\$ 1,407,998	\$ 1,478,137	\$ 1,419,246	\$ 1,406,518	\$ 1,540,247	\$ 1,564,437	\$ 1,449,285	\$ 1,561,035	\$ 1,414,969
Sewer	818,843	863,808	909,880	942,559	1,139,978	1,735,986	1,795,538	1,961,749	1,823,607	1,869,725
Water and sewer capital improvements	-	72,380	165,071	75,958	73,728	69,960	-	-	-	-
Sewer capital improvements	-	22	-	70,461	73,455	76,820	-	-	-	-
Total business-type activities expenses	\$ 2,014,017	\$ 2,344,208	\$ 2,553,088	\$ 2,508,224	\$ 2,693,679	\$ 3,423,013	\$ 3,359,975	\$ 3,411,034	\$ 3,384,642	\$ 3,284,694
Total primary government expenses	\$ 5,597,265	\$ 6,654,833	\$ 6,712,938	\$ 6,947,147	\$ 7,035,332	\$ 7,944,732	\$ 7,667,053	\$ 7,800,940	\$ 8,389,479	\$ 8,333,116
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government administration	\$ 92,694	\$ 95,049	\$ -	\$ -	\$ 286,452	\$ 291,948	\$ 298,030	\$ 303,288	\$ 309,120	\$ 315,072
Public safety	75,746	-	73,006	84,822	122,852	75,808	58,887	85,679	66,913	62,056
Public works	106,354	417,342	77,053	51,414	37,323	50,475	103,681	107,498	94,358	82,964
Parks, recreation and cultural	-	1,350	-	-	-	-	-	-	-	-
Community development	10,164	7,866	18,385	-	-	5,858	5,401	811	3,300	2,430
Operating grants and contributions	843,683	931,222	960,713	918,172	964,445	863,290	895,487	970,366	1,551,123	1,074,655
Capital grants and contributions	53,823	-	-	-	-	223,805	11,164	413,670	1,394,645	335,279
Total governmental activities program revenues	\$ 1,182,464	\$ 1,452,829	\$ 1,129,157	\$ 1,054,408	\$ 1,411,072	\$ 1,511,184	\$ 1,372,650	\$ 1,881,312	\$ 3,419,459	\$ 1,872,456
Business-type activities:										
Charges for services:										
Water	\$ 1,235,191	\$ 1,242,240	\$ 1,173,876	\$ 1,177,263	\$ 1,287,521	\$ 1,152,332	\$ 1,372,441	\$ 1,282,238	\$ 1,298,513	\$ 1,313,480
Sewer	989,961	1,243,119	1,068,536	1,054,408	1,286,043	1,261,087	1,406,808	1,613,061	1,632,961	1,640,701
Capital grants and contributions	355,957	497,616	3,829,383	4,330,716	1,436,119	20,265	196,023	34,505	7,500	71,149
Total business-type activities program revenues	\$ 2,581,109	\$ 2,982,975	\$ 6,071,795	\$ 6,562,387	\$ 4,009,683	\$ 2,433,684	\$ 2,975,272	\$ 2,929,804	\$ 2,938,974	\$ 3,025,330
Total primary government program revenues	\$ 3,763,573	\$ 4,435,804	\$ 7,200,952	\$ 7,616,795	\$ 5,420,755	\$ 3,944,868	\$ 4,347,922	\$ 4,811,116	\$ 6,358,433	\$ 4,897,786
Net (expense) / revenue										
Governmental activities	\$ (2,400,784)	\$ (2,857,796)	\$ (3,030,693)	\$ (3,384,515)	\$ (2,930,581)	\$ (3,010,535)	\$ (2,934,428)	\$ (2,508,594)	\$ (1,585,378)	\$ (3,175,966)
Business-type activities	567,092	638,767	3,518,707	4,054,163	1,316,004	(989,329)	(384,703)	(481,230)	(445,668)	(259,364)
Total primary government net (expense)/ revenue	\$ (1,833,692)	\$ (2,219,029)	\$ 488,014	\$ 669,648	\$ (1,614,577)	\$ (3,999,864)	\$ (3,319,131)	\$ (2,989,824)	\$ (2,031,046)	\$ (3,435,330)

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes:										
Property taxes	\$ 712,492	\$ 712,551	\$ 659,583	\$ 606,021	\$ 684,066	\$ 668,032	\$ 741,887	\$ 689,485	\$ 759,925	\$ 728,639
Local sales and use taxes	168,033	154,417	293,023	294,143	312,332	321,262	345,208	355,692	241,507	197,533
Restaurant food taxes	921,917	951,511	942,870	908,810	940,940	1,007,295	1,058,059	1,032,790	1,096,455	1,152,548
Consumers' utility taxes	341,876	252,661	240,838	231,703	234,575	230,107	226,271	233,804	233,334	239,301
Other local taxes	299,896	390,711	384,964	424,856	478,793	474,172	468,037	533,451	639,211	525,518
Unrestricted grants and contributions	763,661	345,479	308,846	420,978	410,036	409,005	414,664	411,818	138,536	304,340
Unrestricted revenues from use of money and property	73,722	36,662	9,348	11,140	12,449	8,764	17,034	12,138	11,422	19,514
Miscellaneous	113,926	319,118	339,873	348,806	19,484	10,334	24,881	32,723	24,998	127,104
Gain (loss) on the disposal of assets	(1,905)	(3,445)	500	9,554	18,670	23,249	9,748	17,877	63,219	0
Transfers	(22,410)	13,541	-	-	-	-	506,358	(506,358)	-	-
<b>Total governmental activities</b>	<b>3,371,208</b>	<b>3,173,206</b>	<b>3,179,845</b>	<b>3,256,011</b>	<b>3,111,345</b>	<b>3,152,220</b>	<b>3,812,147</b>	<b>2,813,420</b>	<b>3,208,607</b>	<b>3,294,497</b>
Business-type activities:										
Unrestricted revenues from use of money and property	\$ 75,213	\$ 69,901	\$ 6,903	\$ 13,247	\$ 6,914	\$ 1,893	\$ 2,632	\$ 1,519	\$ 1,572	\$ 1,688
Miscellaneous	-	-	144,842	155,390	143,276	55,554	67,771	172,761	149,277	90,435
Transfers	22,410	(13,541)	-	-	-	-	(506,358)	506,358	-	-
<b>Total business-type activities</b>	<b>\$ 97,623</b>	<b>\$ 56,360</b>	<b>\$ 151,745</b>	<b>\$ 168,637</b>	<b>\$ 150,190</b>	<b>\$ 57,447</b>	<b>\$ (435,955)</b>	<b>\$ 680,638</b>	<b>\$ 150,849</b>	<b>\$ 92,123</b>
<b>Total primary government</b>	<b>3,468,831</b>	<b>3,229,566</b>	<b>3,331,590</b>	<b>3,424,648</b>	<b>3,261,535</b>	<b>3,209,667</b>	<b>3,376,192</b>	<b>3,494,058</b>	<b>3,359,456</b>	<b>3,386,620</b>
<b>Change in Net Position</b>										
Governmental activities	\$ 970,424	\$ 315,410	\$ 149,152	\$ (128,504)	\$ 180,764	\$ 141,685	\$ 877,719	\$ 304,826	\$ 1,623,229	\$ 118,531
Business-type activities	664,715	695,127	3,670,452	4,222,800	1,466,194	(931,882)	(820,658)	199,408	(294,819)	(167,241)
<b>Total primary government</b>	<b>1,635,139</b>	<b>1,010,537</b>	<b>3,819,604</b>	<b>4,094,296</b>	<b>1,646,958</b>	<b>(790,197)</b>	<b>57,061</b>	<b>504,234</b>	<b>1,328,410</b>	<b>(48,710)</b>



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
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
2008	712,551	154,417	252,661	951,511	390,711	2,461,851
2007	712,492	168,033	341,876	921,917	299,896	2,444,214

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

	2007	2008	2009	2010	2011 (1)	2012	2013	2014	2015	2016
General fund										
Reserved	\$ 19,745	\$ 5,195	\$ 2,380	\$ 2,387						
Unreserved	2,082,426	2,234,871	2,499,751	2,539,564						
Total general fund	<u>\$ 2,102,171</u>	<u>\$ 2,240,066</u>	<u>\$ 2,502,131</u>	<u>\$ 2,541,951</u>						
All other governmental funds										
Reserved	\$ -	\$ -	\$ -	\$ -						
Unreserved, reported in:										
Taylor park fund	106,801	106,657	106,239	106,692						
Capital projects funds	-	209,675	38,120	53,727						
Total all other governmental funds	<u>\$ 106,801</u>	<u>\$ 316,332</u>	<u>\$ 144,359</u>	<u>\$ 160,419</u>						
Total fund balance, governmental funds	<u>\$ 2,208,972</u>	<u>\$ 2,556,398</u>	<u>\$ 2,646,490</u>	<u>\$ 2,702,370</u>						
General fund										
Nonspendable					\$ 21,387	\$ -	\$ -	\$ 34,623	\$ 9,862	\$ 14,294
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
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>
All other governmental funds										
Restricted										
Taylor park fund					\$ 107,089	\$ 107,278	\$ 107,667	\$ 107,881	\$ 108,099	\$ 108,296
Assigned										
Capital projects fund					70,507	133,804	124,313	119,093	98,029	-
Unassigned										
Capital projects fund					-	-	-	-	-	(5,573)
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>
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>

(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)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Revenues</b>										
General property taxes	\$ 737,166	\$ 662,053	\$ 667,271	\$ 643,848	\$ 701,614	\$ 660,003	\$ 723,149	\$ 738,725	\$ 731,855	\$ 729,128
Other local taxes	1,802,476	1,749,300	1,861,695	1,859,512	1,966,640	2,032,836	2,097,575	2,155,737	2,034,341	2,114,900
Permits, privilege fees and regulatory licenses	102,359	7,865	1,776	2,539	4,800	5,868	5,401	811	3,300	2,430
Fines and forfeitures	75,746	84,232	73,006	60,235	100,414	75,798	58,887	85,679	66,913	62,056
Revenue from use of money and property	79,357	36,662	9,348	11,140	12,449	8,764	17,034	11,658	11,422	10,079
Charges for services	-	88,479	93,662	73,462	54,961	50,475	103,681	107,498	94,358	82,964
Miscellaneous	139,439	346,343	12,873	36,982	38,154	33,583	34,629	50,600	32,952	148,468
Recovered costs	-	5,500	72,657	19,699	21,052	3,042	11,448	13,723	149,332	23,758
Revenue from internal sources	316,439	326,368	327,500	346,824	286,452	291,948	298,030	303,288	309,120	315,072
Intergovernmental revenues:										
Commonwealth	998,792	1,276,351	1,264,973	1,333,411	1,318,560	1,388,593	1,317,347	1,686,080	1,865,825	1,374,592
Federal	15,737	350	4,586	5,739	55,921	107,507	3,968	-	1,394,645	339,682
<b>Total revenues</b>	<b>\$ 4,267,511</b>	<b>\$ 4,583,503</b>	<b>\$ 4,389,347</b>	<b>\$ 4,393,391</b>	<b>\$ 4,561,017</b>	<b>\$ 4,658,417</b>	<b>\$ 4,671,149</b>	<b>\$ 5,153,799</b>	<b>\$ 6,694,063</b>	<b>\$ 5,203,129</b>
<b>Expenditures</b>										
General government administration	\$ 624,940	\$ 557,693	\$ 557,352	\$ 618,538	\$ 602,329	\$ 627,534	\$ 627,697	\$ 652,017	\$ 675,657	\$ 759,721
Public safety	1,038,154	1,139,981	1,196,117	1,206,536	1,224,128	1,369,728	1,370,094	1,421,949	1,485,085	1,394,255
Public works	1,494,059	1,449,599	1,557,462	1,776,665	1,642,227	1,712,926	1,658,561	1,802,964	2,040,264	1,629,591
Parks, recreation and cultural	113,522	122,108	126,553	121,539	22,832	23,033	27,856	22,495	28,721	21,629
Community development	203,337	240,385	150,412	174,421	157,175	124,330	119,154	133,579	160,680	110,555
Non-departmental	85,483	86,478	98,361	64,283	197,841	160,793	186,764	181,148	202,871	213,362
Capital projects	58,855	484,004	443,904	206,711	148,112	361,531	277,418	729,606	2,553,360	870,320
Debt service										
Principal	144,600	86,922	89,300	91,650	94,000	115,887	118,237	147,425	233,598	162,127
Interest and other fiscal charges	84,975	82,448	79,793	77,168	74,325	70,824	66,817	27,077	33,299	30,421
<b>Total expenditures</b>	<b>\$ 3,847,925</b>	<b>\$ 4,249,618</b>	<b>\$ 4,299,254</b>	<b>\$ 4,337,511</b>	<b>\$ 4,162,969</b>	<b>\$ 4,566,586</b>	<b>\$ 4,452,598</b>	<b>\$ 5,118,260</b>	<b>\$ 7,413,535</b>	<b>\$ 5,191,981</b>
<b>Excess of revenues over (under) expenditures</b>	<b>\$ 419,586</b>	<b>\$ 333,885</b>	<b>\$ 90,093</b>	<b>\$ 55,880</b>	<b>\$ 398,048</b>	<b>\$ 91,831</b>	<b>\$ 218,551</b>	<b>\$ 35,539</b>	<b>\$ (719,472)</b>	<b>\$ 11,148</b>
<b>Other financing sources (uses)</b>										
Transfers in	\$ -	\$ 13,541	\$ -	\$ 7	\$ 5	\$ -	\$ 506,358	\$ (506,358)	\$ -	\$ -
Transfers out	(22,410)	-	-	(7)	(5)	-	-	-	-	-
Issuance of capital leases	2,402	-	-	-	-	48,478	132,235	-	135,000	-
Issuance of refunding bond	-	-	-	-	-	-	-	1,445,250	-	-
Payment to bond escrow agent	-	-	-	-	-	-	-	(1,440,672)	-	-
<b>Total other financing sources (uses)</b>	<b>\$ (20,008)</b>	<b>\$ 13,541</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 48,478</b>	<b>\$ 638,593</b>	<b>\$ (501,780)</b>	<b>\$ 135,000</b>	<b>\$ -</b>
<b>Net change in fund balances</b>	<b>399,578</b>	<b>347,426</b>	<b>90,093</b>	<b>55,880</b>	<b>398,048</b>	<b>140,309</b>	<b>857,144</b>	<b>(466,241)</b>	<b>(584,472)</b>	<b>11,148</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>6.61%</b>	<b>4.83%</b>	<b>4.71%</b>	<b>4.33%</b>	<b>4.61%</b>	<b>4.84%</b>	<b>4.87%</b>	<b>4.33%</b>	<b>6.08%</b>	<b>4.92%</b>

TOWN OF ORANGE, VIRGINIA

General Governmental Revenues by Source (1) (2)

Last Ten Fiscal Years

*(modified accrual basis of accounting)*

Fiscal Year		General Property Taxes		Other Local Taxes		Permits, Privilege fees, and Regulatory Licenses		Fines and Forfeitures		Revenue from Use of Money and Property
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
2008		662,053		1,749,300		7,865		84,232		35,962
2007		737,166		1,802,476		-		75,746		79,357

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

Table 6

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Charges for Services	Recovered Costs	Miscellaneous (2)	Inter- governmental	Total
\$ 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
88,479	-	27,225	1,188,868	3,843,984
102,359	-	139,439	1,014,529	3,951,072

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
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%
2008	450,501,300	42,994,779	17,362,511	510,858,590	510,858,590	100.00%
2007	329,528,350	40,643,746	9,619,293	379,791,389	379,791,389	100.00%

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
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
2008	.114/.114	0.600	0.066	.114/.600	0.114
2007	.114/.240	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
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
2008	4,566	510,859	9,604,632	7,569,782	2,034,850	0.40%	446
2007	4,494	379,791	10,112,855	7,991,055	2,121,800	0.56%	472

(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
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%
2007-08	741,438	685,776	92.49%	32,662	718,438	96.90%	22,868	3.08%
2006-07	725,271	708,957	97.75%	27,940	736,897	101.60%	38,743	5.34%

(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, 2016, 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 December 5, 2016.

### 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  
December 5, 2016