

Town of Orange, Virginia



*Financial Report
Year Ended June 30, 2013*

TOWN OF ORANGE, VIRGINIA
FINANCIAL REPORT
YEAR ENDED JUNE 30, 2013

TOWN OF ORANGE, VIRGINIA

DIRECTORY OF OFFICIALS

COUNCIL

Henry Lee Carter
Martha Roby

Harry C. “Chuck” Mason, Jr., Mayor
Harry C. Hopkins, Jr., Vice-Mayor

Frederick W. “Rick” Sherman, Jr.

OFFICIALS

Greg Woods
Karen Kelley
Wendy J. Chewning

Town Manager
Director of Finance
Town Clerk

TOWN OF ORANGE, VIRGINIA

FINANCIAL REPORT
YEAR ENDED JUNE 30, 2013

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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, 2013, 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 the Town of Orange, Virginia, as of June 30, 2013, 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.

Emphasis of Matter

As described in Note 1 to the financial statements, in 2013, the Town adopted new accounting guidance, GASB Statement Nos. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and 65, *Items Previously Reported as Assets and Liabilities*. 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 on pages 4-9, budgetary comparison information, and schedules of pension and OPEB funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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 the Town of Orange, Virginia's basic financial statements. The supporting schedules and other statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2013, on our consideration of the Town of Orange, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Orange, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates
Charlottesville, Virginia
November 25, 2013

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Management's Discussion and Analysis

As management of the Town of Orange (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2013. Please read it in conjunction with the Town's basic financial statements, which follow this section.

Financial Highlights

- The assets of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$22.8 million (*net position*). Of this amount, \$4.1 million (*unrestricted net position*) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$57,061, of which the governmental activities accounted for an \$877,719 increase and business-type activities accounted for \$820,658 decrease.
- The total ending fund balance for the Town's governmental funds is \$4.1 million an increase of \$857,144 over the prior year. This ending fund balance of the general fund was \$3.9 million and is equal to 88% of the Town's fiscal year 2013 general fund operating balance.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3.9 million, or 93% of governmental fund expenditures less any capital outlay projects funded with bond proceeds.

Overview of the Financial Statements

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

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.

Overview of the Financial Statements: (Continued)

Government-wide financial statements: (Continued)

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).

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 the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20 through 43 of this report.

Overview of the Financial Statements: (Continued)

Other information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning budgetary comparisons for the general fund and the schedule of funding in progress relating to the Town's participation in its defined benefit pension plan. Required supplementary information can be found on pages 44 and 45 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 exceeded liabilities and deferred inflows of resources by \$22.8 million at the close of the most recent fiscal year. A large portion of the Town's net position (\$18.6 million, 82% 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, 2013

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 4,734,157	\$ 3,612,835	\$ 474,491	\$ 1,250,893	\$ 5,208,648	\$ 4,863,728
Capital assets	5,201,931	5,150,906	33,275,386	34,140,062	38,477,317	39,290,968
Total assets	\$ 9,936,088	\$ 8,763,741	\$ 33,749,877	\$ 35,390,955	\$ 43,685,965	\$ 44,154,696
Long-term liabilities outstanding	\$ 1,909,696	\$ 1,858,824	\$ 18,277,591	\$ 19,019,075	\$ 20,187,287	\$ 20,877,899
Other liabilities	308,564	86,679	143,788	222,724	452,352	309,403
Total liabilities	\$ 2,218,260	\$ 1,945,503	\$ 18,421,379	\$ 19,241,799	\$ 20,639,639	\$ 21,187,302
Deferred inflows of resources	\$ 306,374	\$ 284,503	\$ -	\$ -	\$ 306,374	\$ 284,503
Net Position:						
Net investment in capital assets	\$ 3,493,408	\$ 3,458,415	\$ 15,080,241	\$ 15,193,913	\$ 18,573,649	\$ 18,652,328
Restricted	110,059	134,670	-	68,639	110,059	203,309
Unrestricted	3,807,987	2,940,650	248,257	886,604	4,056,244	3,827,254
Total net position	\$ 7,411,454	\$ 6,533,735	\$ 15,328,498	\$ 16,149,156	\$ 22,739,952	\$ 22,682,891

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

As noted previously, the Town's overall (government and business-type activities) net position increased by \$57,061 during the current fiscal year. The overall increase is attributed to an increase in charges for services in the business-type activities and an overall decrease in expenses in both the governmental and business-type funds.

Government-Wide Financial Analysis: (Continued)

Governmental activities increased the Town's net position by \$877,719. The following table summarizes the Town's Statement of Activities:

<p style="text-align: center;">Town of Orange, Virginia Changes in Net Position As of June 30, 2013</p>						
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 465,999	\$ 424,089	\$ 2,779,249	\$ 2,413,419	\$ 3,245,248	\$ 2,837,508
Operating grants and contributions	895,487	863,290	-	-	895,487	863,290
Capital grants and contributions	11,164	223,805	196,023	20,265	207,187	244,070
General revenues:						
Property taxes	741,887	668,032	-	-	741,887	668,032
Other taxes	2,097,575	2,032,836	-	-	2,097,575	2,032,836
Unrestricted revenues from the use of money and property	17,034	8,764	2,632	1,893	19,666	10,657
Miscellaneous	24,881	10,334	67,771	55,554	92,652	65,888
Grants and contributions not restricted to specific programs	414,664	409,005	-	-	414,664	409,005
Gain on sale of surplus property	9,748	23,249	-	-	9,748	23,249
Total revenues	\$ 4,678,439	\$ 4,663,404	\$ 3,045,675	\$ 2,491,131	\$ 7,724,114	\$ 7,154,535
Expenses:						
General government administration	\$ 775,161	\$ 898,399	\$ -	\$ -	\$ 775,161	\$ 898,399
Public safety	1,455,083	1,377,427	-	-	1,455,083	1,377,427
Public works	1,699,846	1,905,767	-	-	1,699,846	1,905,767
Parks, recreation and culture	71,913	60,559	-	-	71,913	60,559
Community development	237,908	207,866	-	-	237,908	207,866
Interest on long-term obligations	67,167	71,701	-	-	67,167	71,701
Water fund	-	-	1,564,437	1,540,247	1,564,437	1,540,247
Sewer fund	-	-	1,795,538	1,735,986	1,795,538	1,735,986
Water and sewer fund improvements	-	-	-	69,960	-	69,960
Sewer fund improvements	-	-	-	76,820	-	76,820
Total expenses	\$ 4,307,078	\$ 4,521,719	\$ 3,359,975	\$ 3,423,013	\$ 7,667,053	\$ 7,944,732
Increase (decrease) in net position before transfers and capital contributions	\$ 371,361	\$ 141,685	\$ (314,300)	\$ (931,882)	\$ 57,061	\$ (790,197)
Transfers	\$ 506,358	\$ -	\$ (506,358)	\$ -	\$ -	\$ -
Increase (decrease) in net position	\$ 877,719	\$ 141,685	\$ (820,658)	\$ (931,882)	\$ 57,061	\$ (790,197)
Net position-beginning of year, as restated	\$ 6,533,735	\$ 6,392,050	\$ 16,149,156	\$ 17,081,038	\$ 22,682,891	\$ 23,473,088
Net position-end of year	\$ 7,411,454	\$ 6,533,735	\$ 15,328,498	\$ 16,149,156	\$ 22,739,952	\$ 22,682,891

Business-type activities decreased the Town's net position by \$820,658. 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.

In fiscal year 2012, the Town started depreciating the newly constructed wastewater treatment plant whereby increasing depreciation expenses and decreasing net position.

Financial Analysis of the Town's Funds

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

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

In fiscal year 2013, the general fund's operating revenues exceeded expenditures by \$227,653.

At the end of the current fiscal year, unassigned fund balance of the General fund was \$3,863,499 while the restricted fund balance was \$2,392. The fund balance restriction represents unspent proceeds from Asset Forfeiture of \$2,392.

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 \$248,257. The total net position decreased by \$820,658 from the prior year.

General Fund Budgetary Highlights

During the fiscal year, the Town's actual revenue was under budget by \$505,957 with the shortage generated by miscellaneous revenue. Expenditures were also less than budgeted by \$733,610.

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, 2013, amounts to \$38.5 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	
	2013	2012	2013	2012	2013	2012
Land	\$ 750,038	\$ 750,038	\$ 248,292	\$ 248,292	\$ 998,330	\$ 998,330
Wastewater treatment plant	-	-	23,196,686	23,679,950	23,196,686	23,679,950
Buildings	2,291,641	2,369,359	2,545,234	2,626,616	4,836,875	4,995,975
Equipment and improvements	382,245	290,671	4,192,546	4,345,090	4,574,791	4,635,761
Road Systems	1,482,614	1,498,946	-	-	1,482,614	1,498,946
Water storage facility	-	-	3,092,628	3,187,808	3,092,628	3,187,808
Construction in progress	295,393	241,892	-	52,306	295,393	294,198
Total	\$ 5,201,931	\$ 5,150,906	\$ 33,275,386	\$ 34,140,062	\$ 38,477,317	\$ 39,290,968

Additional information on the Town's capital assets can be found in Note 4 on pages 30 through 32 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 debt of \$20.2 million and details are summarized in the following table:

**Town of Orange, Virginia
Outstanding Debt
For the Year Ended June 30, 2013**

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Bonds Payable:						
General obligation bonds	\$ 1,560,150	\$ 1,661,200	\$ 3,623,387	\$ 3,763,969	\$ 5,183,537	\$ 5,425,169
Revenue bonds	-	-	14,571,758	15,182,180	14,571,758	15,182,180
Capital lease	148,373	31,291	-	-	148,373	-
Other post-employment benefits	85,437	60,582	24,563	17,418	110,000	78,000
Compensated absences	115,736	105,751	57,883	55,508	173,619	161,259
Total	<u>\$ 1,909,696</u>	<u>\$ 1,858,824</u>	<u>\$ 18,277,591</u>	<u>\$ 19,019,075</u>	<u>\$ 20,187,287</u>	<u>\$ 20,846,608</u>

Debt associated with governmental activities increased by \$50,872 while debt associated with business type activities decreased by \$741,484.

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, 2013.

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

Economic Factors and Next Year's Budgets and Rates

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

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 2014 real estate rates were increased from \$0.145 per \$100 assessed value to \$0.155 per \$100 of assessed value.

In July 2013, the Town refinanced the 2004 VML/VACo and 2005 Rural Development Bonds "RDA" obligations. The refinancing of the 2004 VML/VACo bond decreased the interest rate from a variable 4.00% to 4.375% to a fixed 2.05%, without changing the term of the loan. The 2005 RDA loan decreased the interest rate from a fixed 4.125% to a fixed 2.95%, but also shortened the term from 32 years to 20 years. The reduction in the interest rates reduced payments sufficiently to offset the increase in payments for shortening the term on the RDA loan, leaving minor annual impacts to the cash flow. VML/VACo refinanced both loans, which were consolidated into one payment stream.

The decrease in interest payments also reduced the Town of Gordonsville's obligation to the Town of Orange to pay for a portion of the interest on the Raw Water Storage Basin, as well as, reducing the obligation from 32 years to 20 years.

Requests for Information

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

Basic Financial Statements

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Government-wide Financial Statements

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Statement of Net Position

As of June 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 3,643,030	\$ 130,889	\$ 3,773,919
Receivables (net of allowance for uncollectibles):			
Taxes receivable	326,301	-	326,301
Other local receivables	159,867	-	159,867
Accounts receivable	-	431,113	431,113
Internal balances	160,000	(160,000)	-
Due from other governmental units	126,434	-	126,434
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	318,525	72,489	391,014
Capital assets (net of accumulated depreciation):			
Land	750,038	248,292	998,330
Wastewater treatment plant	-	23,196,687	23,196,687
Buildings	2,291,641	2,545,234	4,836,875
Equipment and improvements	382,245	4,192,545	4,574,790
Water storage facility	-	3,092,628	3,092,628
Road systems	1,482,614	-	1,482,614
Construction in progress	295,393	-	295,393
Total assets	\$ 9,936,088	\$ 33,749,877	\$ 43,685,965
LIABILITIES			
Accounts payable	\$ 73,161	\$ 34,850	\$ 108,011
Accrued interest payable	26,937	36,449	63,386
Deposits held	-	72,489	72,489
Performance bonds held	208,466	-	208,466
Long-term liabilities:			
Due within one year	158,999	766,274	925,273
Due in more than one year	1,750,697	17,511,317	19,262,014
Total liabilities	\$ 2,218,260	\$ 18,421,379	\$ 20,639,639
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue-property taxes	\$ 306,374	\$ -	\$ 306,374
NET POSITION			
Net investment in capital assets	\$ 3,493,408	\$ 15,080,241	\$ 18,573,649
Restricted for:			
Asset forfeiture	2,392	-	2,392
Taylor park fund	107,667	-	107,667
Unrestricted	3,807,987	248,257	4,056,244
Total net position	\$ 7,411,454	\$ 15,328,498	\$ 22,739,952

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

TOWN OF ORANGE, VIRGINIA

Statement of Activities

For the Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 775,161	\$ 298,030	\$ -	\$ -
Public safety	1,455,083	58,887	19,352	11,164
Public works	1,699,846	103,681	871,135	-
Parks, recreation, and cultural	71,913	-	5,000	-
Community development	237,908	5,401	-	-
Interest on long-term debt	67,167	-	-	-
Total governmental activities	\$ 4,307,078	\$ 465,999	\$ 895,487	\$ 11,164
Business-type activities:				
Water	\$ 1,564,437	\$ 1,372,441	\$ -	\$ 144,158
Sewer	1,795,538	1,406,808	-	51,865
Total business-type activities	\$ 3,359,975	\$ 2,779,249	\$ -	\$ 196,023
Total primary government	\$ 7,667,053	\$ 3,245,248	\$ 895,487	\$ 207,187
General revenues:				
General property taxes				
Other local taxes:				
Local sales and use tax				
Consumers' utility tax				
Bank franchise tax				
Restaurant food tax				
Communications tax				
Tobacco tax				
Other local taxes				
Unrestricted revenues from use of money and property				
Miscellaneous				
Grants and contributions not restricted to specific programs				
Gain on sale of surplus property				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning, as restated				
Net position - ending				

The notes to the 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
\$ (477,131)	\$ -	\$ (477,131)
(1,365,680)	-	(1,365,680)
(725,030)	-	(725,030)
(66,913)	-	(66,913)
(232,507)	-	(232,507)
(67,167)	-	(67,167)
<u>\$ (2,934,428)</u>	<u>\$ -</u>	<u>\$ (2,934,428)</u>
\$ -	\$ (47,838)	\$ (47,838)
<u>-</u>	<u>(336,865)</u>	<u>(336,865)</u>
<u>\$ -</u>	<u>\$ (384,703)</u>	<u>\$ (384,703)</u>
<u>\$ (2,934,428)</u>	<u>\$ (384,703)</u>	<u>\$ (3,319,131)</u>
\$ 741,887	\$ -	\$ 741,887
345,208	-	345,208
226,271	-	226,271
121,525	-	121,525
1,058,059	-	1,058,059
180,797	-	180,797
108,240	-	108,240
57,475	-	57,475
17,034	2,632	19,666
24,881	67,771	92,652
414,664	-	414,664
9,748	-	9,748
<u>506,358</u>	<u>(506,358)</u>	<u>-</u>
\$ 3,812,147	\$ (435,955)	\$ 3,376,192
877,719	(820,658)	57,061
<u>6,533,735</u>	<u>16,149,156</u>	<u>22,682,891</u>
<u>\$ 7,411,454</u>	<u>\$ 15,328,498</u>	<u>\$ 22,739,952</u>

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Fund Financial Statements

Balance Sheet
Governmental Funds
As of June 30, 2013

	General	Taylor Park	Capital Projects	Total
ASSETS				
Cash and cash equivalents (Note 1)	\$ 3,543,717	\$ -	\$ 99,313	\$ 3,643,030
Receivables (net of allowance for uncollectibles):				
Taxes receivable (Note 1)	326,301	-	-	326,301
Other local revenues	159,867	-	-	159,867
Due from other funds	160,000	-	-	160,000
Due from other governmental units (Note 3)	101,434	-	25,000	126,434
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents	210,858	107,667	-	318,525
Total assets	<u>\$ 4,502,177</u>	<u>\$ 107,667</u>	<u>\$ 124,313</u>	<u>\$ 4,734,157</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 73,161	\$ -	\$ -	\$ 73,161
Performance bonds held	208,466	-	-	208,466
Total liabilities	<u>\$ 281,627</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 281,627</u>
Deferred inflows of resources:				
Unavailable revenue-property taxes	<u>\$ 354,659</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 354,659</u>
Fund balances:				
Restricted:				
Taylor Park fund	\$ -	\$ 107,667	\$ -	\$ 107,667
Asset forfeiture	2,392	-	-	2,392
Assigned:				
Capital projects	-	-	124,313	124,313
Unassigned	3,863,499	-	-	3,863,499
Total fund balances	<u>\$ 3,865,891</u>	<u>\$ 107,667</u>	<u>\$ 124,313</u>	<u>\$ 4,097,871</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 4,502,177</u>	<u>\$ 107,667</u>	<u>\$ 124,313</u>	<u>\$ 4,734,157</u>

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

Reconciliation of the Balance Sheet of Governmental Funds
 To the Statement of Net Position
 As of June 30, 2013

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	4,097,871	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			5,201,931
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.			
Unavailable revenue related to property taxes			48,285
Interest paid on long-term debt is not accrued in governmental funds, but rather is recognized when paid.			(26,937)
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	\$	(1,560,150)	
Capital lease		(148,373)	
Compensated absences		(115,736)	
Other post-employment benefits		(85,437)	(1,909,696)
Net position of governmental activities	\$		<u>7,411,454</u>

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

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2013

	General	Taylor Park	Capital Projects	Total
REVENUES				
General property taxes	\$ 723,149	\$ -	\$ -	\$ 723,149
Other local taxes	2,097,575	-	-	2,097,575
Permits, privilege fees, and regulatory licenses	5,401	-	-	5,401
Fines and forfeitures	58,887	-	-	58,887
Revenue from the use of money and property	16,142	389	503	17,034
Charges for services	103,681	-	-	103,681
Miscellaneous	34,629	-	-	34,629
Recovered costs	11,448	-	-	11,448
Revenue from internal sources	298,030	-	-	298,030
Intergovernmental revenues:				
Commonwealth	1,261,979	-	55,368	1,317,347
Federal	3,968	-	-	3,968
Total revenues	\$ 4,614,889	\$ 389	\$ 55,871	\$ 4,671,149
EXPENDITURES				
Current:				
General government administration	\$ 627,697	\$ -	\$ -	\$ 627,697
Public safety	1,370,094	-	-	1,370,094
Public works	1,658,561	-	-	1,658,561
Parks, recreation, and cultural	27,856	-	-	27,856
Community development	119,154	-	-	119,154
Nondepartmental	186,764	-	-	186,764
Capital outlay	212,056	-	65,362	277,418
Debt service:				
Principal retirement	118,237	-	-	118,237
Interest and other fiscal charges	66,817	-	-	66,817
Total expenditures	\$ 4,387,236	\$ -	\$ 65,362	\$ 4,452,598
Excess (deficiency) of revenues over (under) expenditures	\$ 227,653	\$ 389	\$ (9,491)	\$ 218,551
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 506,358	\$ -	\$ -	\$ 506,358
Issuance of capital leases	132,235	-	-	132,235
Total other financing sources (uses)	\$ 638,593	\$ -	\$ -	\$ 638,593
Net change in fund balances	\$ 866,246	\$ 389	\$ (9,491)	\$ 857,144
Fund balances - beginning	2,999,645	107,278	133,804	3,240,727
Fund balances - ending	\$ 3,865,891	\$ 107,667	\$ 124,313	\$ 4,097,871

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

Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2013

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

Net change in fund balances - total governmental funds	\$	857,144
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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	\$	160,766	
Depreciation expense		<u>(109,741)</u>	51,025

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	18,738
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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	116,203	
Issuance of capital lease	<u>(132,235)</u>	(16,032)

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 compensated absences	(9,985)	
(Increase)/decrease in other post-employment benefits	(24,855)	
(Increase)/decrease in accrued interest payable	<u>1,684</u>	<u>(33,156)</u>

Change in net position of governmental activities	\$	<u>877,719</u>
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The notes to the financial statements are an integral part of this statement.

Statement of Net Position
 Proprietary Funds
 As of June 30, 2013

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 647,387	\$ -	\$ 647,387
Accounts Receivable (net of allowances for uncollectibles)	182,415	248,698	431,113
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	72,489	-	72,489
Total current assets	\$ 902,291	\$ 248,698	\$ 1,150,989
Noncurrent assets:			
Capital assets (net of accumulated depreciation):			
Land	\$ 160,251	\$ 88,041	\$ 248,292
Waste water treatment plant	-	23,196,687	23,196,687
Buildings	701,698	1,843,536	2,545,234
Equipment and improvements	3,553,468	639,077	4,192,545
Water storage facility	3,092,628	-	3,092,628
Total capital assets, net	\$ 7,508,045	\$ 25,767,341	\$ 33,275,386
Total noncurrent assets	\$ 7,508,045	\$ 25,767,341	\$ 33,275,386
Total assets	\$ 8,410,336	\$ 26,016,039	\$ 34,426,375
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	\$ 16,363	\$ 18,487	\$ 34,850
Accrued interest payable	30,377	6,072	36,449
Bank overdraft payable	-	516,498	516,498
Deposits held	72,489	-	72,489
Compensated absences, current portion	2,354	3,434	5,788
Bonds payable, current portion	147,008	613,478	760,486
Total current liabilities	\$ 268,591	\$ 1,157,969	\$ 1,426,560
Noncurrent liabilities:			
Bonds payable, net of current portion	\$ 3,476,379	\$ 13,958,280	\$ 17,434,659
Due to other funds	160,000	-	160,000
OPEB liability	12,441	12,122	24,563
Compensated absences, net of current portion	21,189	30,906	52,095
Total noncurrent liabilities	\$ 3,670,009	\$ 14,001,308	\$ 17,671,317
Total liabilities	\$ 3,938,600	\$ 15,159,277	\$ 19,097,877
NET POSITION			
Net Investment in capital assets	\$ 3,884,658	\$ 11,195,583	\$ 15,080,241
Unrestricted	587,078	(338,821)	248,257
Total net position	\$ 4,471,736	\$ 10,856,762	\$ 15,328,498
Total liabilities and net position	\$ 8,410,336	\$ 26,016,039	\$ 34,426,375

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

Statement of Revenues, Expenses, and Changes in Fund Net Position
 Proprietary Funds
 For the Year Ended June 30, 2013

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
OPERATING REVENUES:			
Charges for services:			
Charges for services and connection fees	\$ 1,372,441	\$ 1,406,808	\$ 2,779,249
Miscellaneous	44,703	23,068	67,771
Total operating revenues	\$ 1,417,144	\$ 1,429,876	\$ 2,847,020
OPERATING EXPENSES:			
Personal Services	\$ 287,291	\$ 359,141	\$ 646,432
Fringe Benefits	113,644	124,789	238,433
Contractual services/maintenance	53,665	44,620	98,285
Materials & supplies	162,653	165,962	328,615
Utilities	180,254	207,025	387,279
Internal services	241,669	135,782	377,451
Other charges	10,373	19,312	29,685
Capital outlay	78,834	2,724	81,558
Depreciation	342,720	602,410	945,130
Total operating expenses	\$ 1,471,103	\$ 1,661,765	\$ 3,132,868
Operating income (loss)	\$ (53,959)	\$ (231,889)	\$ (285,848)
NONOPERATING REVENUES (EXPENSES):			
Interest Earned	\$ 2,264	\$ 368	\$ 2,632
Interest and fiscal charges	(93,334)	(133,773)	(227,107)
Total nonoperating revenues (expenses)	\$ (91,070)	\$ (133,405)	\$ (224,475)
Income (loss) before contributions and transfers	\$ (145,029)	\$ (365,294)	\$ (510,323)
Capital contributions and grants	\$ 144,158	\$ 51,865	\$ 196,023
Capital transfers in/(out)	89,504	(595,862)	(506,358)
Change in net position	\$ 88,633	\$ (909,291)	\$ (820,658)
Net Position at Beginning of Year, as restated	4,383,103	11,766,053	16,149,156
Net Position at End of Year	\$ 4,471,736	\$ 10,856,762	\$ 15,328,498

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

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2013

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,422,720	\$ 1,410,609	\$ 2,833,329
Payments to suppliers	(716,194)	(150,812)	(867,006)
Payments to and on behalf of employees	(397,586)	(477,759)	(875,345)
Net cash provided by (used for) operating activities	\$ 308,940	\$ 782,038	\$ 1,090,978
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	\$ (132,760)	\$ -	\$ (132,760)
Expense of construction in progress in current year	52,306	-	52,306
Capital and debt related transfers	89,504	(595,862)	(506,358)
Capital contributions	144,158	51,865	196,023
Principal payments on bonds	(140,582)	(610,422)	(751,004)
Interest payments	(95,234)	(134,027)	(229,261)
Net cash provided by (used for) capital and related financing activities	\$ (82,608)	\$ (1,288,446)	\$ (1,371,054)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends received	\$ 2,264	\$ 368	\$ 2,632
Net increase (decrease) in cash and cash equivalents	\$ 228,596	\$ (506,040)	\$ (277,444)
Cash and cash equivalents - beginning	491,280	506,040	997,320
Cash and cash equivalents- ending	\$ 719,876	\$ -	\$ 719,876
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (53,959)	\$ (231,889)	\$ (285,848)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation expense	342,720	602,410	945,130
Changes in operating assets and liabilities:			
(Increase) decrease in receivables	1,726	(19,267)	(17,541)
Increase (decrease) in accounts payable	11,254	10,843	22,097
(Increase) decrease in bank draft payable	-	413,770	413,770
(Increase) decrease in customer deposits	3,850	-	3,850
Increase (decrease) in other post-employment benefits	3,619	3,526	7,145
Increase (decrease) in compensated absences	(270)	2,645	2,375
Net cash provided by (used for) operating activities	\$ 308,940	\$ 782,038	\$ 1,090,978

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

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Financial Reporting Entity

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

Individual Component Unit Disclosures

The Town has no component units.

Related Organizations

The Town has no related organizations.

Jointly Governed Organizations

The Town has no jointly governed organizations.

B. Government-wide and Fund Financial Statements

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

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

Statement of Net Position - The Statement of Net Position is designed to display the financial position of the primary government (government and business-type activities) and its discretely presented component unit, if applicable. Governments will report all capital assets, in the government-wide Statement of Net 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).

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

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

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

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

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)

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

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

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

- a. General Fund

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

- b. Capital Projects Fund

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

- c. Special Revenue Funds

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

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

Enterprise Funds

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

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

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 government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Budgets and Budgetary Accounting

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

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

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

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

D. Budgets and Budgetary Accounting: (Continued)

Excess expenditures over appropriations:

<u>Fund</u>	<u>Excess of Expenditures Over Appropriations</u>
General	
Public Safety	\$ 20,882
Debt Service	17,175
	<hr/>
Total	\$ 38,057
	<hr/> <hr/>

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, 2013, the allowances amounted to \$61,095 for property taxes, \$55,214 for water charges and \$72,710 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 Memorial 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 estimated fair market value at the date of donation.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

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

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, 2013 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 does not have any deferred outflows of resources as of June 30, 2013.

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 one type of item that qualifies for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources.

J. Compensated Absences

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

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

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

K. Long-term Obligations

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

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

L. Property Taxes

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

M. Use of Estimates

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

N. 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.

O. 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.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

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

P. Investments

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

Q. Fund Equity

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

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

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.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

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

R. Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, Statement No. 63 of the Governmental Accounting Standards Board

The Town implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement provides guidance for reporting deferred inflows and deferred outflows of resources. The requirements of this Statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on an entity's net position. With the implementation of this Statement, certain terminology has changed and financial statement descriptions have changed from "net assets" to "net position." The net equity reported in the financial statements was not changed as a result of implementing this Statement and no restatement of prior balances is required.

S. Items Previously Reported as Assets and Liabilities, Statement No. 65 of the Governmental Accounting Standards Board

The Town implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Details of this restatement can be found in Note 12.

T. Upcoming Pronouncements

The Governmental Accounting Standards Board has issued Statement No. 68, *Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27*. This Statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014. The Town has not determined the impact of this pronouncement on its financial statements.

NOTE 2—DEPOSITS AND INVESTMENTS:

Deposits:

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

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

Investments:

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

Custodial Credit Risk (Investments):

The Town does not have an investment policy.

The Town’s investments at June 30, 2013 were held by the Town or in the Town’s name by the Town’s custodial banks.

<u>Town's Rated Debt Investments</u>	
<u>Rated Debt Investments Value</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
Local Government Investment Pool	\$ <u>8,509</u>

External Investment Pools:

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

NOTE 3—DUE FROM OTHER GOVERNMENTS:

Commonwealth of Virginia:	
Communications tax	\$ 28,583
Fire Programs	2,106
Auto rental tax	5,500
LLEBG	4,100
Federal:	
USDA/RD grant	25,000
County of Orange:	
Local Sales Tax	<u>61,145</u>
Total	\$ <u>126,434</u>

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

NOTE 4—CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2013 was as follows:

	Balance June 30, 2012	Additions	Retirements	Balance June 30, 2013
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 750,038	\$ -	\$ -	\$ 750,038
Construction in progress	241,892	53,501	-	295,393
Total capital assets, not being depreciated	\$ 991,930	\$ 53,501	\$ -	\$ 1,045,431
Capital assets, being depreciated:				
Buildings	\$ 3,075,860	\$ -	\$ -	\$ 3,075,860
Equipment and improvements	2,187,485	107,265	(29,000)	2,265,750
Road systems	2,378,972	-	-	2,378,972
Total capital assets being depreciated	\$ 7,642,317	\$ 107,265	\$ (29,000)	\$ 7,720,582
Less accumulated depreciation for:				
Buildings	\$ (706,501)	\$ (77,718)	\$ -	\$ (784,219)
Equipment and improvements	(1,896,814)	(15,691)	29,000	(1,883,505)
Road systems	(880,026)	(16,332)	-	(896,358)
Total accumulated depreciation	\$ (3,483,341)	\$ (109,741)	\$ 29,000	\$ (3,564,082)
Total capital assets, being depreciated, net	\$ 4,158,976	\$ (2,476)	\$ -	\$ 4,156,500
Governmental activities capital assets, net	\$ 5,150,906	\$ 51,025	\$ -	\$ 5,201,931

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

NOTE 4—CAPITAL ASSETS: (CONTINUED)

	Balance June 30, 2012	Additions	Retirements	Balance June 30, 2013
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 248,292	\$ -	\$ -	\$ 248,292
Construction in progress	52,306	-	(52,306)	-
Total capital assets, not being depreciated	\$ 300,598	\$ -	\$ (52,306)	\$ 248,292
Capital assets, being depreciated:				
Buildings	\$ 4,431,352	\$ 8,325	\$ -	\$ 4,439,677
Wastewater treatment plant	24,163,214	-	-	24,163,214
Equipment and improvements	10,334,325	124,435	-	10,458,760
Water storage facility	3,807,196	-	-	3,807,196
Total capital assets being depreciated	\$ 42,736,087	\$ 132,760	\$ -	\$ 42,868,847
Less accumulated depreciation for:				
Buildings	\$ (1,804,736)	\$ (89,707)	\$ -	\$ (1,894,443)
Wastewater treatment plant	(483,264)	(483,263)	-	(966,527)
Equipment and improvements	(5,989,235)	(276,980)	-	(6,266,215)
Water storage facility	(619,388)	(95,180)	-	(714,568)
Total accumulated depreciation	\$ (8,896,623)	\$ (945,130)	\$ -	\$ (9,841,753)
Total capital assets, being depreciated, net	\$ 33,839,464	\$ (812,370)	\$ -	\$ 33,027,094
Business-type activities capital assets, net	\$ 34,140,062	\$ (812,370)	\$ (52,306)	\$ 33,275,386

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

NOTE 4—CAPITAL ASSETS: (CONTINUED)

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

Governmental activities:

General government administration	\$	51,578
Public safety		13,169
Public works		42,799
Parks, recreation and cultural		<u>2,195</u>
Total depreciation expense - governmental activities	\$	<u><u>109,741</u></u>

Business-type activities:

Water	\$	342,720
Sewer		<u>602,410</u>
Total depreciation expense - business-type activities	\$	<u><u>945,130</u></u>

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, 2013:

	Balance June 30, 2012	Issuances	Retirements	Balance June 30, 2013
General Obligation Bonds	\$ 1,661,200	\$ -	\$ 101,050	\$ 1,560,150
Capital Lease	31,291	132,235	15,153	148,373
Other Post-Employment Benefits (Note 14)	60,582	24,855	-	85,437
Compensated Absences (Note 6)	<u>105,751</u>	<u>9,985</u>	<u>-</u>	<u>115,736</u>
Total	\$ <u><u>1,858,824</u></u>	\$ <u><u>167,075</u></u>	\$ <u><u>116,203</u></u>	\$ <u><u>1,909,696</u></u>

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

NOTE 5—LONG-TERM OBLIGATIONS: (CONTINUED)

Governmental Activities: (Continued)

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

Year Ending June 30,	Principal	Interest
2014	\$ 147,425	\$ 65,899
2015	134,084	60,126
2016	139,239	55,253
2017	144,402	50,185
2018	149,573	44,920
2019-2023	688,550	142,682
2024-2025	305,250	13,976
Total	<u>\$ 1,708,523</u>	<u>\$ 433,041</u>

Details of Long-term Obligations:

	Total Amount	Amount Due Within One Year
\$2,303,000 General obligation bonds issued December 29, 2004 payable in annual principal payments ranging from \$77,400 to \$148,350 and semi-annual interest payments ranging from 2.5% to 4.375% and final payment due July 20, 2024.	\$ 1,560,150	\$ 105,750
\$48,478 Capital Lease dated May 1, 2012 with annual payments of \$17,187, including interest of 6.50%. Final installment due May 1, 2014.	16,138	16,138
\$132,235 Capital Lease dated March 14, 2013 with annual payments of \$25,852, including interest of 1.75%. Final installment due June 30, 2018.	132,235	25,537
Compensated absences (Note 6)	115,736	11,574
Other post-employment benefits (Note 14)	85,437	-
Total general long-term obligation debt	<u>\$ 1,909,696</u>	<u>\$ 158,999</u>

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

NOTE 5—LONG-TERM OBLIGATIONS: (CONTINUED)

Governmental Activities: (Continued)

The assets acquired through capital leases are as follows:

Asset:		
Equipment	\$	180,713
Less: Accumulated depreciation		<u>(45,888)</u>
Total	\$	<u><u>134,825</u></u>

Enterprise Activities:

Changes in Long-term Obligations:

	Balance June 30, 2012	Issuances	Retirements	Balance June 30, 2013
General Obligation Bonds	\$ 3,763,969	\$ -	\$ 140,582	\$ 3,623,387
Revenue Bonds	15,182,180	-	610,422	14,571,758
Other Post-Employment Benefits (Note 14)	17,418	7,145	-	24,563
Compensated Absences (Note 6)	55,508	2,375	-	57,883
Total	<u>\$ 19,019,075</u>	<u>\$ 9,520</u>	<u>\$ 751,004</u>	<u>\$ 18,277,591</u>

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

Year Ending June 30,	Principal	Interest
2014	\$ 760,486	\$ 218,306
2015	767,379	209,240
2016	776,988	199,949
2017	786,664	190,379
2018	796,409	180,527
2019-2023	4,138,777	743,683
2024-2028	3,855,089	475,534
2029-2033	3,620,200	297,914
2034-2038	2,046,303	184,496
2039-2043	424,974	92,287
2044-2047	221,876	10,891
Total	<u>\$ 18,195,145</u>	<u>\$ 2,803,206</u>

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

NOTE 5—LONG TERM OBLIGATIONS: (CONTINUED)

Enterprise Activities: (Continued)

Details of Long-term Obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>Bonds Payable:</u>		
\$2,597,000 General Obligation Bonds issued December 29, 2004 maturing annually with payments ranging from \$102,600 to \$196,650 and semi-annual interest payments ranging from 2.5% to 4.375%. Final payment due July 20, 2024.	\$ 1,784,850	\$ 119,250
\$1,277,400 USDA bonds issued September 28, 2005 payable in monthly installments of \$5,506 including interest at 4.125%. Final payment due September 2045.	1,174,274	17,730
\$722,600 USDA bonds issued September 28, 2005 payable in monthly installments of \$3,115 including interest at 4.125%. Final payment due September 2045.	664,263	10,028
\$16,177,744 Revenue Bonds, Series 2008 issued May 1, 2008 maturing annually with payments of \$435,883 beginning 2011, due December 2030 bearing no interest. Final payment due May 2028.	<u>14,571,758</u>	<u>613,478</u>
Total bonds payable	\$ <u>18,195,145</u>	\$ <u>760,486</u>
Compensated absences (Note 6)	\$ 57,883	\$ 5,788
Other post-employment benefits (Note 14)	<u>24,563</u>	<u>-</u>
Total enterprise debt	\$ <u><u>18,277,591</u></u>	\$ <u><u>766,274</u></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 \$115,736 and the Enterprise Funds have outstanding accrued leave pay of \$57,883.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

NOTE 7—DEFINED BENEFIT PENSION PLAN:

A. Plan Description

Name of Plan:	Virginia Retirement System (VRS)
Identification of Plan:	Agent and Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
Administering Entity:	Virginia Retirement System (System)

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

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

- Members hired before July 1, 2010 and who were vested as of January 1, 2013 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit as early as age 55 with at least five years of service credit or age 50 with at least ten years of service credit.
- Members hired or rehired on or after July 1, 2010 and Plan 1 members who were not vested on January 1, 2013 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

NOTE 7—DEFINED BENEFIT PENSION PLAN: (CONTINUED)

A. Plan Description: (Continued)

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

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/PDF/Publications/2012-Annual-Report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5% member contribution may be 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% 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. In addition, the Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Town's contribution rate for the fiscal year ended June 30, 2013 was 9% of the annual covered payroll.

C. Annual Pension Cost:

For the fiscal year ended June 30, 2013, the Town's annual pension cost of \$204,222 was equal to the required and actual contributions.

Three-Year Trend Information for Town

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2013	\$ 204,222	100%	\$ -
June 30, 2012	120,385	100%	-
June 30, 2011	115,301	100%	-

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

NOTE 7—DEFINED BENEFIT PENSION PLAN: (CONTINUED)

C. Annual Pension Cost: (Continued)

The fiscal year 2013 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.6% per year, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the Town's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Town's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

D. Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the plan was 71.22% funded. The actuarial accrued liability for benefits was \$6,144,048, and the actuarial value of assets was \$4,375,735, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,768,313. The covered payroll (annual payroll of active employees covered by the plan) was \$2,199,458 and the ratio of the UAAL to the covered payroll was 80.40%.

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

NOTE 8—UNAVAILABLE REVENUE:

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 \$325,548 (including 2nd ½ tax billings of \$48,285 not due until December 5) at June 30, 2013.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2013 but paid in advance by the taxpayers totaled \$29,111 at June 30, 2013.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

NOTE 9—INTERFUND LOANS AND TRANSFERS:

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

NOTE 10—RISK MANAGEMENT:

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

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

NOTE 11—LITIGATION:

At June 30, 2013, there were no matters of litigation involving the Town which would materially affect the Town's financial position should any court decisions on pending matters not be favorable to such entities.

NOTE 12—RESTATEMENT OF BEGINNING NET POSITION:

Enterprise Funds

Beginning net position has been adjusted to reflect the implementation of GASB 65 to write-off bond issue costs (Adjustment 1) and to merge Enterprise Funds (Adjustment 2) no longer necessary. Details of the adjustments are as follows:

Governmental Activities:

Net position at July 1, 2012, as restated	\$ 6,566,522
Adjustment (1):	<u>(32,787)</u>
Net position at July 1, 2012 as restated	<u>\$ 6,533,735</u>

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

NOTE 12—RESTATEMENT OF BEGINNING NET POSITION:

Enterprise Funds

Business-type Activities:

In addition to the restatement for GASB 65 (1), there was also a restatement to merge the Water & Sewer Capital Improvements and the Sewer Capital Improvements to the Water and Sewer Funds, respectively (2).

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Water & Sewer Capital Improvements</u>	<u>Sewer Capital Improvements</u>	<u>Total Enterprise Funds</u>
Net position at July 1 2012, as reported	\$ 5,673,229	\$ 26,450,012	\$ (1,240,036)	\$ (14,682,465)	\$ 16,200,740
Adjustment (1):	(50,090)	(1,494)	-	-	(51,584)
Adjustment (2):	<u>(1,240,036)</u>	<u>(14,682,465)</u>	<u>1,240,036</u>	<u>14,682,465</u>	<u>-</u>
Net position at July 1 2012, as restated	<u>\$ 4,383,103</u>	<u>\$ 11,766,053</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,149,156</u>

NOTE 13—OTHER POST-EMPLOYMENT BENEFITS:

Background

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

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

NOTE 13—OTHER POST-EMPLOYMENT BENEFITS: (CONTINUED)

A. Plan Description:

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

B. Funding Policy:

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

C. Annual OPEB Cost and Net OPEB Obligation:

The annual cost of other post-employment benefits (OPEB) under GASB 45 is called the annual required contribution or ARC. The estimated pay as you go cost for OPEB benefits is \$32,000 for fiscal year 2013. The Town did not make a payment towards this obligation during the fiscal year. The Town is required to contribute the annual required contribution of the employer (ARC) an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

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

Annual required contribution	\$	32,000
Interest on net OPEB obligation		3,000
Adjustment to annual required contribution		<u>(3,000)</u>
Annual OPEB cost (expense)	\$	32,000
Estimated contributions made		<u>-</u>
Increase in net OPEB obligation	\$	<u>32,000</u>
Net OPEB obligation - beginning of year		<u>78,000</u>
Net OPEB obligation - end of year	\$	<u><u>110,000</u></u>

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

NOTE 13—OTHER POST-EMPLOYMENT BENEFITS: (CONTINUED)

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

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 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, 2011	\$ 30,000	0%	\$ 45,000
June 30, 2012	33,000	0%	78,000
June 30, 2013	32,000	0%	110,000

The funded status of the plan as of June 30, 2013 is as follows:

Actuarial accrued liability (AAL)	\$ 270,000
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	270,000
Funded ratio (actuarial value of plan assets / AAL)	0%
Covered payroll (active plan members)	2,277,000
UAAL as a percentage of covered payroll	11.88%

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

Actuarial Method & Assumption

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

NOTE 13—OTHER POST-EMPLOYMENT BENEFITS: (CONTINUED)

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

In the July 1, 2012 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return and an annual healthcare cost trend rate of 10.00 percent initially, reduced by decrements to an ultimate rate of 5.50 percent after 5 years. Both rates included a 3.00 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five year-year period. The UAAL is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at July 1, 2012 was 30 years.

Actuarial Cost Method

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

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

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

Interest Assumptions

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

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, 2013

	General Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
General Property Taxes	\$ 663,000	\$ 663,000	\$ 723,149	\$ 60,149
Other local taxes/revenues	1,975,800	1,975,800	2,097,575	121,775
Permits, fees, and regulatory licenses	3,100	3,100	5,401	2,301
Fines and forfeitures	90,000	90,000	58,887	(31,113)
Revenues from use of money and property	6,620	6,620	16,142	9,522
Charges for Services	116,903	116,903	103,681	(13,222)
Miscellaneous revenues	599,003	733,966	34,629	(699,337)
Recovered costs	20,000	20,000	11,448	(8,552)
Revenue from internal sources	297,560	297,560	298,030	470
Intergovernmental revenues:				
Commonwealth	1,213,897	1,213,897	1,261,979	48,082
Federal	-	-	3,968	3,968
Total Revenues	\$ 4,985,883	\$ 5,120,846	\$ 4,614,889	\$ (505,957)
EXPENDITURES				
Current:				
General government administration	\$ 665,099	\$ 667,206	\$ 627,697	\$ 39,509
Public safety	1,349,212	1,349,212	1,370,094	(20,882)
Public works	1,834,234	1,834,234	1,658,561	175,673
Parks, recreation, and cultural	29,100	29,100	27,856	1,244
Community development	150,139	150,139	119,154	30,985
Nondepartmental	187,396	197,616	186,764	10,852
Capital projects	602,824	725,460	212,056	513,404
Debt service:				
Principal	99,920	99,920	118,237	(18,317)
Interest and finance charges	67,959	67,959	66,817	1,142
Total Expenditures	\$ 4,985,883	\$ 5,120,846	\$ 4,387,236	\$ 733,610
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 227,653	\$ 227,653
OTHER FINANCING SOURCES (USES)				
Net operating transfers	\$ -	\$ -	\$ 506,358	\$ 506,358
Issuance of capital leases	-	-	132,235	132,235
Total other financing sources (uses)	\$ -	\$ -	\$ 638,593	\$ 638,593
Net change in fund balances	\$ -	\$ -	\$ 866,246	\$ 866,246
Fund Balance at Beginning of Year	2,541,951	2,541,951	2,999,645	457,694
Fund Balance at End of Year	\$ 2,541,951	\$ 2,541,951	\$ 3,865,891	\$ 1,323,940

Schedule of Pension and OPEB Funding Progress
For the Year Ended June 30, 2013

Virginia Retirement System						
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	\$ 4,216,353	\$ 5,540,414	\$ 1,324,061	76.10%	\$ 2,168,541	61.06%
06/30/11	4,347,048	5,771,187	1,424,139	75.32%	2,077,501	68.55%
06/30/12	4,375,735	6,144,048	1,768,313	71.22%	2,199,458	80.40%

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%
06/30/11	-	205,000	205,000	0.00%	2,335,000	8.80%
07/01/12	-	270,000	270,000	0.00%	2,277,000	11.88%

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, 2013

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 500,000	\$ 500,000	\$ 501,550	\$ 1,550
Personal property taxes	125,000	125,000	177,925	52,925
Public service corporation taxes	18,000	18,000	22,918	4,918
Delinquent taxes	20,000	20,000	20,756	756
Total general property taxes	\$ 663,000	\$ 663,000	\$ 723,149	\$ 60,149
Other local taxes/revenues				
Local sales and use taxes	\$ 315,000	\$ 315,000	\$ 345,208	\$ 30,208
Consumers' utility taxes	230,000	230,000	226,271	(3,729)
Electric consumption taxes	17,000	17,000	17,017	17
Motor vehicle licenses	70,000	70,000	80,067	10,067
Bank franchise taxes	125,000	125,000	121,525	(3,475)
Restaurant food taxes	975,000	975,000	1,058,059	83,059
Business License	9,000	9,000	8,186	(814)
Transient/occupancy tax	125,000	125,000	133,002	8,002
Cigarette tax	109,800	109,800	108,240	(1,560)
Total other local taxes/revenues	\$ 1,975,800	\$ 1,975,800	\$ 2,097,575	\$ 121,775
Permits, fees, and regulatory licenses:				
Planning and development fees	\$ 3,000	\$ 3,000	\$ 5,326	\$ 2,326
Construction permits/fees	100	100	75	(25)
Total permits, fees, and regulatory licenses	\$ 3,100	\$ 3,100	\$ 5,401	\$ 2,301
Fines and forfeitures:				
Court fines and forfeitures	\$ 90,000	\$ 90,000	\$ 58,887	\$ (31,113)
Revenue from use of money and property:				
Revenue from use of money	\$ 3,500	3,500	\$ 11,992	\$ 8,492
Revenue from use of property	3,120	3,120	4,150	1,030
Total revenue from use of money and property	\$ 6,620	\$ 6,620	\$ 16,142	\$ 9,522
Charges for services:				
Refuse Collection	\$ 97,600	\$ 97,600	\$ 80,385	\$ (17,215)
Transit fees	19,303	19,303	23,296	3,993
Total Charges for Services	\$ 116,903	\$ 116,903	\$ 103,681	\$ (13,222)

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2013 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from Local Sources: (Continued)				
Miscellaneous revenue:				
Reserve funds	\$ 572,603	\$ 707,566	\$ -	\$ (707,566)
Administrative fees	12,400	12,400	8,295	(4,105)
Proceeds from the sale of surplus property	-	-	9,748	9,748
Revenue refunds	9,000	9,000	4,880	(4,120)
Miscellaneous	5,000	5,000	11,706	6,706
Total miscellaneous revenue	\$ 599,003	\$ 733,966	\$ 34,629	\$ (699,337)
Recovered costs:				
Expenditure refunds	\$ 20,000	\$ 20,000	\$ 11,448	\$ (8,552)
Revenue from internal sources:				
Internal Charges	\$ 297,560	\$ 297,560	\$ 298,030	\$ 470
Total Revenue from Local Sources	\$ 3,771,986	\$ 3,906,949	\$ 3,348,942	\$ (558,007)
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 30,000	\$ 30,000	\$ 29,704	\$ (296)
Communications tax	185,000	185,000	180,797	(4,203)
Recordation tax	6,500	6,500	7,416	916
Aid to localities with police departments	106,779	106,779	107,132	353
Personal property tax relief funds	89,615	89,615	89,615	-
Total noncategorical aid	\$ 417,894	\$ 417,894	\$ 414,664	\$ (3,230)
Categorical aid:				
State Highway Funds	\$ 775,428	\$ 775,428	\$ 819,539	\$ 44,111
Highway construction	-	-	11,164	11,164
Fire Program Grants	11,375	11,375	13,464	2,089
Art Grants	5,000	5,000	-	(5,000)
Miscellaneous Grants	2,000	2,000	-	(2,000)
Litter Control Grant	2,200	2,200	3,148	948
Total Categorical Aid	\$ 796,003	\$ 796,003	\$ 847,315	\$ 51,312
Total revenue from the commonwealth	\$ 1,213,897	\$ 1,213,897	\$ 1,261,979	\$ 48,082
Revenue from the Federal Government:				
Categorical aid:				
Law enforcement	\$ -	\$ -	\$ 3,968	\$ 3,968
Total Categorical Aid	\$ -	\$ -	\$ 3,968	\$ 3,968
Total revenue from the federal government	\$ -	\$ -	\$ 3,968	\$ 3,968
Total General Fund	\$ 4,985,883	\$ 5,120,846	\$ 4,614,889	\$ (505,957)

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2013 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Special Revenue Fund:				
Taylor Park Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 389	\$ 389
Total revenue from local sources	\$ -	\$ -	\$ 389	\$ 389
Total Taylor Park Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 389</u>	<u>\$ 389</u>
Capital Projects Fund:				
General Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 503	\$ 503
Total revenue from local sources	\$ -	\$ -	\$ 503	\$ 503
Revenue from the Commonwealth:				
Categorical aid:				
Virginia Rail Transportation grant	\$ -	\$ -	\$ 40,948	\$ 40,948
Local Law Enforcement Block Grant	-	-	7,500	7,500
Virginia Arts Commission	-	-	5,000	5,000
Asset forfeiture	-	-	1,920	1,920
Total categorical aid	\$ -	\$ -	\$ 55,368	\$ 55,368
Total revenue from the Commonwealth	\$ -	\$ -	\$ 55,368	\$ 55,368
Total Capital Projects Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,871</u>	<u>\$ 55,871</u>
Total Primary Government	<u>\$ 4,985,883</u>	<u>\$ 5,120,846</u>	<u>\$ 4,671,149</u>	<u>\$ (449,697)</u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Town Council	\$ 42,169	\$ 44,276	\$ 31,909	\$ 12,367
General and financial administration:				
Town Manager	\$ 246,518	\$ 246,518	\$ 237,289	\$ 9,229
Professional Services	35,695	35,695	28,289	7,406
Treasurer/finance	340,717	340,717	330,210	10,507
Total general and financial administration	\$ 622,930	\$ 622,930	\$ 595,788	\$ 27,142
Total general government administration	\$ 665,099	\$ 667,206	\$ 627,697	\$ 39,509
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 1,267,837	\$ 1,267,837	\$ 1,284,847	\$ (17,010)
Fire and rescue services:				
Volunteer fire departments	\$ 46,375	\$ 46,375	\$ 50,247	\$ (3,872)
Rescue squad	35,000	35,000	35,000	-
Total fire and rescue services	\$ 81,375	\$ 81,375	\$ 85,247	\$ (3,872)
Total public safety	\$ 1,349,212	\$ 1,349,212	\$ 1,370,094	\$ (20,882)
Public works:				
Streets and general maintenance	\$ 1,523,330	\$ 1,523,330	\$ 1,419,920	\$ 103,410
Refuse collection and disposal	155,570	155,570	140,761	14,809
Municipal building	40,217	40,217	33,063	7,154
Depot	21,500	21,500	16,999	4,501
TOOT	93,617	93,617	47,818	45,799
Total public works	\$ 1,834,234	\$ 1,834,234	\$ 1,658,561	\$ 175,673
Parks, recreation and cultural:				
Parks and recreation	\$ 29,100	\$ 29,100	\$ 27,856	\$ 1,244
Total parks, recreation, and cultural	\$ 29,100	\$ 29,100	\$ 27,856	\$ 1,244

Schedule of Expenditures - Budget and Actual (Continued)
 Governmental Funds
 For the Year Ended June 30, 2013

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Community development:				
Planning and community development	\$ 150,139	\$ 150,139	\$ 119,154	\$ 30,985
Total community development	\$ 150,139	\$ 150,139	\$ 119,154	\$ 30,985
Nondepartmental:				
Insurance	\$ 35,596	\$ 35,596	\$ 33,153	\$ 2,443
Revenue refunds	9,000	9,000	8,696	304
Contractual Services	16,500	16,500	15,725	775
Bank service charges	18,600	18,600	13,370	5,230
Donations	107,700	117,920	115,820	2,100
Total nondepartmental	\$ 187,396	\$ 197,616	\$ 186,764	\$ 10,852
Capital expenditures:				
Capital outlay	\$ 602,824	\$ 725,460	\$ 212,056	\$ 513,404
Debt service:				
Principal	\$ 99,920	\$ 99,920	\$ 118,237	\$ (18,317)
Interest	67,959	67,959	66,817	1,142
Total Debt Service	\$ 167,879	\$ 167,879	\$ 185,054	\$ (17,175)
Total General Fund	\$ 4,985,883	\$ 5,120,846	\$ 4,387,236	\$ 733,610
Capital Projects Fund:				
General Capital projects expenditures:				
Capital projects expenditures	\$ -	\$ -	\$ 65,362	\$ (65,362)
Total Capital Projects Fund	\$ -	\$ -	\$ 65,362	\$ (65,362)
Total Primary Government	\$ 4,985,883	\$ 5,120,846	\$ 4,452,598	\$ 668,248

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Other Statistical Information

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

	Fiscal Year						
	2007	2008	2009	2010	2011	2012	2013
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
Restricted	19,745	5,195	2,380	2,387	2,392	134,670	110,059
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>
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>
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
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>
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>
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
Restricted	19,745	5,195	2,380	2,387	2,392	203,309	110,059
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>
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>

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

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

	Fiscal Year						
	2007	2008	2009	2010	2011	2012	2013
Expenses							
Governmental activities:							
General government administration	\$ 430,093	\$ 802,974	\$ 744,923	\$ 822,347	\$ 854,434	\$ 898,399	\$ 775,161
Public safety	1,078,322	1,225,816	1,268,803	1,248,816	1,275,689	1,377,427	1,455,083
Public works	1,645,944	1,816,378	1,435,223	1,980,259	1,834,837	1,905,767	1,699,846
Parks, recreation and cultural	122,396	146,267	139,744	132,620	57,976	60,559	71,913
Community development	144,165	240,018	489,958	176,336	243,143	207,866	237,908
Non-departmental	78,453	-	-	-	-	-	-
Interest on long-term debt	83,875	79,172	81,199	78,545	75,574	71,701	67,167
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
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
Sewer	818,843	863,808	909,880	942,559	1,139,978	1,735,986	1,795,538
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
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
Program Revenues							
Governmental activities:							
Charges for services:							
General government	\$ 92,694	\$ 95,049	\$ -	\$ -	\$ 286,452	\$ 291,948	\$ 298,030
Public safety	75,746	-	73,006	84,822	122,852	75,808	58,887
Public works	106,354	417,342	77,053	51,414	37,323	50,475	103,681
Parks, recreation and cultural	-	1,350	-	-	-	-	-
Community development	10,164	7,866	18,385	-	-	5,858	5,401
Operating grants and contributions	843,683	931,222	960,713	918,172	964,445	863,290	895,487
Capital grants and contributions	53,823	-	-	-	-	223,805	11,164
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
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
Sewer	989,961	1,243,119	1,068,536	1,054,408	1,286,043	1,261,087	1,406,808
Capital grants and contributions	355,957	497,616	3,829,383	4,330,716	1,436,119	20,265	196,023
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
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
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)
Business-type activities	567,092	638,767	3,518,707	4,054,163	1,316,004	(989,329)	(384,703)
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)

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

	Fiscal Year						
	2007	2008	2009	2010	2011	2012	2013
General Revenues and Other Changes in Net Position							
Governmental activities:							
Taxes:							
Property taxes	\$ 712,492	\$ 712,551	\$ 659,583	\$ 606,021	\$ 684,066	\$ 668,032	\$ 741,887
Local sales and use taxes	168,033	154,417	293,023	294,143	312,332	321,262	345,208
Restaurant food taxes	921,917	951,511	942,870	908,810	940,940	1,007,295	1,058,059
Consumer utility taxes	341,876	252,661	240,838	231,703	234,575	230,107	226,271
Other local taxes	299,896	390,711	384,964	424,856	478,793	474,172	468,037
Unrestricted grants and contributions	763,661	345,479	308,846	420,978	410,036	409,005	414,664
Unrestricted revenues from use of money and property	73,722	36,662	9,348	11,140	12,449	8,764	17,034
Miscellaneous	113,926	319,118	339,873	348,806	19,484	10,334	24,881
Gain (loss) on the disposal of assets	(1,905)	(3,445)	500	9,554	18,670	23,249	9,748
Transfers	(22,410)	13,541	-	-	-	-	506,358
Total governmental activities	\$ 3,371,208	\$ 3,173,206	\$ 3,179,845	\$ 3,256,011	\$ 3,111,345	\$ 3,152,220	\$ 3,812,147
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
Miscellaneous	-	-	144,842	155,390	143,276	55,554	67,771
Transfers	22,410	(13,541)	-	-	-	-	(506,358)
Total business-type activities	\$ 97,623	\$ 56,360	\$ 151,745	\$ 168,637	\$ 150,190	\$ 57,447	\$ (435,955)
Total primary government	\$ 3,468,831	\$ 3,229,566	\$ 3,331,590	\$ 3,424,648	\$ 3,261,535	\$ 3,209,667	\$ 3,376,192
Change in Net Position							
Governmental activities	\$ 970,424	\$ 315,410	\$ 149,152	\$ (128,504)	\$ 180,764	\$ 141,685	\$ 877,719
Business-type activities	664,715	695,127	3,670,452	4,222,800	1,466,194	(931,882)	(820,658)
Total primary government	\$ 1,635,139	\$ 1,010,537	\$ 3,819,604	\$ 4,094,296	\$ 1,646,958	\$ (790,197)	\$ 57,061

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

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

Fiscal Year	Property Tax	Local Sales and Use Tax	Consumer Utility Tax	Restaurant Food Tax	Other Local Taxes	Total
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

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

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

	2007	2008	2009	2010	2011 (1)	2012	2013
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><u>\$ 2,208,972</u></u>	<u><u>\$ 2,556,398</u></u>	<u><u>\$ 2,646,490</u></u>	<u><u>\$ 2,702,370</u></u>			
General fund							
Nonspendable					\$ 21,387	\$ -	\$ -
Restricted					2,392	27,392	2,392
Unassigned					2,899,043	2,972,253	3,863,499
Total general fund					<u>\$ 2,922,822</u>	<u>\$ 2,999,645</u>	<u>\$ 3,865,891</u>
All other governmental funds							
Restricted							
Taylor park fund					\$ 107,089	\$ 107,278	\$ 107,667
Assigned							
Capital projects fund					-	133,804	124,313
Unassigned							
Capital projects fund					70,507	-	-
Total all other governmental funds					<u>\$ 177,596</u>	<u>\$ 241,082</u>	<u>\$ 231,980</u>
Total fund balance, governmental funds					<u><u>\$ 3,100,418</u></u>	<u><u>\$ 3,240,727</u></u>	<u><u>\$ 4,097,871</u></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 Seven Fiscal Years
(modified accrual basis of accounting)

	2007	2008	2009	2010	2011	2012	2013
Revenues							
General property taxes	\$ 737,166	\$ 662,053	\$ 667,271	\$ 643,848	\$ 701,614	\$ 660,003	\$ 723,149
Other local taxes	1,802,476	1,749,300	1,861,695	1,859,512	1,966,640	2,032,836	2,097,575
Permits, privilege fees and regulatory licenses	102,359	7,865	1,776	2,539	4,800	5,868	5,401
Fines and forfeitures	75,746	84,232	73,006	60,235	100,414	75,798	58,887
Revenue from use of money and property	79,357	36,662	9,348	11,140	12,449	8,764	17,034
Charges for services	-	88,479	93,662	73,462	54,961	50,475	103,681
Miscellaneous	139,439	346,343	12,873	36,982	38,154	33,583	34,629
Recovered costs	-	5,500	72,657	19,699	21,052	3,042	11,448
Revenue from internal sources	316,439	326,368	327,500	346,824	286,452	291,948	298,030
Intergovernmental revenues:							
Commonwealth	998,792	1,276,351	1,264,973	1,333,411	1,318,560	1,388,593	1,317,347
Federal	15,737	350	4,586	5,739	55,921	107,507	3,968
Total revenues	\$ 4,267,511	\$ 4,583,503	\$ 4,389,347	\$ 4,393,391	\$ 4,561,017	\$ 4,658,417	\$ 4,671,149
Expenditures							
General government administration	\$ 624,940	\$ 557,693	\$ 557,352	\$ 618,538	\$ 602,329	\$ 627,534	\$ 627,697
Public safety	1,038,154	1,139,981	1,196,117	1,206,536	1,224,128	1,369,728	1,370,094
Public works	1,494,059	1,449,599	1,557,462	1,776,665	1,642,227	1,712,926	1,658,561
Parks, recreation and cultural	113,522	122,108	126,553	121,539	22,832	23,033	27,856
Community development	203,337	240,385	150,412	174,421	157,175	124,330	119,154
Non-departmental	85,483	86,478	98,361	64,283	197,841	160,793	186,764
Capital projects	58,855	484,004	443,904	206,711	148,112	361,531	277,418
Debt service							
Principal	144,600	86,922	89,300	91,650	94,000	115,887	118,237
Interest and other fiscal charges	84,975	82,448	79,793	77,168	74,325	70,824	66,817
Total expenditures	\$ 3,847,925	\$ 4,249,618	\$ 4,299,254	\$ 4,337,511	\$ 4,162,969	\$ 4,566,586	\$ 4,452,598
Excess of revenues over (under) expenditures	\$ 419,586	\$ 333,885	\$ 90,093	\$ 55,880	\$ 398,048	\$ 91,831	\$ 218,551
Other financing sources (uses)							
Transfers in	\$ -	\$ 13,541	\$ -	\$ 7	\$ 5	\$ -	\$ 506,358
Transfers out	(22,410)	-	-	(7)	(5)	-	-
Issuance of capital leases	2,402	-	-	-	-	48,478	132,235
Total other financing sources (uses)	\$ (20,008)	\$ 13,541	\$ -	\$ -	\$ -	\$ 48,478	\$ 638,593
Net change in fund balances	\$ 399,578	\$ 347,426	\$ 90,093	\$ 55,880	\$ 398,048	\$ 140,309	\$ 857,144
Debt service as a percentage of noncapital expenditures	6.61%	4.83%	4.71%	4.33%	4.61%	4.84%	4.47%

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
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
2006	696,866	1,810,589	-	68,621	45,950
2005	602,239	1,339,183	-	43,677	58,898
2004	719,435	1,176,771	-	54,376	29,392

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

Table 6

Charges for Services	Recovered Costs	Miscellaneous (2)	Inter- governmental	Total
\$ 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
131,186	-	87,891	907,244	3,748,347
96,694	-	77,921	809,757	3,028,369
104,280	-	46,321	824,084	2,954,659

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
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%
2006		203,047,200	38,321,145	9,619,293	250,987,638	250,987,638	100.00%
2005		195,551,200	34,845,990	12,539,644	242,936,834	242,936,834	100.00%
2004		194,080,450	37,730,624	17,291,053	249,102,127	249,102,127	100.00%

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
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
2006	.114/.240	0.600	0.066	.240/.600	0.240
2005	.240/.180	0.600	0.066	.240/.600	0.240
2004	.180/.180	0.600	0.066	.180/.600	0.180

(1) Per \$100 of assessed value

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

Fiscal Year	Population	Assessed Value (In Thousands) (2)	Gross General Obligation Debt (1)	Debt Payable from Enterprise Revenues (1)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value (2)	Net Bonded Debt per Capita
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
2006	4,398	250,988	10,669,513	8,403,113	2,266,400	0.90%	515
2005	4,287	242,937	13,209,504	8,982,504	4,227,000	1.74%	986
2004	4,239	249,102	8,608,948	6,488,948	2,120,000	0.85%	500

(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
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%
2005-06	693,124	683,277	98.58%	9,621	692,898	99.97%	65,233	9.41%
2004-05	595,211	585,614	98.39%	9,420	595,034	99.97%	53,665	9.02%
2003-04	716,483	682,632	95.28%	28,939	711,571	99.31%	35,564	4.96%

(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, 2013, and the related notes to the financial statements, which collectively comprise the Town of Orange, Virginia's basic financial statements, and have issued our report thereon dated November 25, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Robinson, Farmer Cox Associates
Charlottesville, Virginia
November 25, 2013