

*Town of Orange, Virginia*



*Financial Report*  
*Year Ended June 30, 2017*



**TOWN OF ORANGE, VIRGINIA**  
**FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2017**



# TOWN OF ORANGE, VIRGINIA

## DIRECTORY OF OFFICIALS

### COUNCIL

---

Henry Lee Carter  
Richard Langford

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

Frederick W. "Rick" Sherman, Jr.

### OFFICIALS

---

Greg Woods  
Norris John  
Wendy J. Chewning

Town Manager  
Director of Finance  
Town Clerk



TOWN OF ORANGE, VIRGINIA  
FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2017

TABLE OF CONTENTS

---

	<u>Page</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-8
 <b><u>Basic Financial Statements:</u></b>	
<b>Government-wide Financial Statements:</b>	
Exhibit 1 Statement of Net Position	9
Exhibit 2 Statement of Activities	10-11
 <b>Fund Financial Statements:</b>	
Exhibit 3 Balance Sheet—Governmental Funds	12
Exhibit 4 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	13
Exhibit 5 Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds	14
Exhibit 6 Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Exhibit 7 Statement of Net Position—Proprietary Funds	16
Exhibit 8 Statement of Revenues, Expenses, and Changes in Net Position—Proprietary Funds	17
Exhibit 9 Statement of Cash Flows—Proprietary Funds	18
Notes to Financial Statements	19-58
 <b><u>Required Supplementary Information:</u></b>	
Exhibit 10 Schedule of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual—General Fund	59
Exhibit 11 Schedule of Changes in Net Pension Liability (Asset) and Related Ratios	60
Exhibit 12 Schedule of Employer Contributions	61
Exhibit 13 Notes to Required Supplementary Information	62
Exhibit 14 Schedule of OPEB Funding Progress	63

TOWN OF ORANGE, VIRGINIA  
FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2017

TABLE OF CONTENTS  
(Continued)

---

	<u>Page</u>
<b><u>Other Supplementary Information:</u></b>	
<b>Supporting Schedules:</b>	
Schedule 1     Schedule of Revenues—Budget and Actual—Governmental Funds	64-66
Schedule 2     Schedule of Expenditures—Budget and Actual—Governmental Funds	67-68
<b>Other Statistical Information:</b>	
Table 1        Net Position by Component—Last Ten Fiscal Years	69
Table 2        Changes in Net Position— Last Ten Fiscal Years	70-71
Table 3        Governmental Activities Tax Revenues by Source—Last Ten Fiscal Years	72
Table 4        Fund Balances of Governmental Funds—Last Ten Fiscal Years	73
Table 5        Changes in Fund Balances of Governmental Funds—Last Ten Fiscal Years	74
Table 6        General Governmental Revenues by Source—Last Ten Fiscal Years	75-76
Table 7        Assessed Value and Estimated Actual Value of Taxable Property—Last Ten Fiscal Years	77
Table 8        Property Tax Rates—Last Ten Fiscal Years	78
Table 9        Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita—Last Ten Fiscal Years	79
Table 10       Property Tax Levies and Collections—Last Ten Fiscal Years	80
<b><u>Compliance:</u></b>	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	81-82



# 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, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditors' Responsibility*

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

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

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

#### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Town of Orange, Virginia, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding, on pages 3-8, 59 and 60-63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### *Other Information*

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

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

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

### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2017, on our consideration of Town of Orange, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Orange, Virginia's internal control over financial reporting and compliance.

*Robinson, Farney Cox Associates*

Charlottesville, Virginia  
November 13, 2017



## Management's Discussion and Analysis

As management of Town of Orange (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2017. Please read it in conjunction with the Town's basic financial statements, which follow this section.

### Financial Highlights

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$23.0 million (*net position*). Of this amount, \$1.1 million (*unrestricted net position*) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position decreased by \$586,613, of which the governmental activities accounted for a decrease of \$322,941 and business-type activities accounted for a decrease of \$263,672.
- The total ending fund balance for the Town's governmental funds is \$2,820,014, a decrease of \$233,286 over the prior year. The ending fund balance of the general fund was \$2,744,557 and is equal to 51% of the Town's fiscal year 2017 general fund expenditures.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2.7 million, or 62% of general fund expenditures less any capital outlay projects funded with bond proceeds.

### Overview of the Financial Statements

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

#### Government-wide financial statements

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

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

## Overview of the Financial Statements: (Continued)

### Government-wide financial statements: (Continued)

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government administration, public safety, and public works. The business-type activities are for public utilities. The government-wide financial statements can be found on pages 9 through 11 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 12 through 15 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 16 through 18 of this report.

### Notes to financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19 through 58 of this report.

### Other information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning budgetary comparisons for the general fund and the schedules related to pension and OPEB funding. Required supplementary information can be found on pages 59 through 63 of this report.

## Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$23.0 million at the close of the most recent fiscal year. A large portion of the Town's net position (\$21.7 million, 94% 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, 2017

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 3,255,820	\$ 3,447,092	\$ 533,157	\$ 689,353	\$ 3,788,977	\$ 4,136,445
Capital assets	7,993,230	8,214,682	29,850,144	30,782,246	37,843,374	38,996,928
Total assets	\$ 11,249,050	\$ 11,661,774	\$ 30,383,301	\$ 31,471,599	\$ 41,632,351	\$ 43,133,373
Deferred outflows of resources	\$ 425,224	\$ 252,671	\$ 154,098	\$ 85,151	\$ 579,322	\$ 337,822
Long-term liabilities						
outstanding	\$ 3,046,961	\$ 2,914,418	\$ 15,625,685	\$ 16,339,532	\$ 18,672,646	\$ 19,253,950
Other liabilities	64,304	90,532	131,135	134,949	195,439	225,481
Total liabilities	\$ 3,111,265	\$ 3,004,950	\$ 15,756,820	\$ 16,474,481	\$ 18,868,085	\$ 19,479,431
Deferred inflows of resources	\$ 343,160	\$ 366,705	\$ -	\$ 38,018	\$ 343,160	\$ 404,723
Net investment in capital assets	\$ 6,812,449	\$ 6,879,703	\$ 14,907,763	\$ 14,968,510	\$ 21,720,212	\$ 21,848,213
Restricted	108,489	110,688	-	-	108,489	110,688
Unrestricted	1,298,911	1,552,399	(127,184)	75,741	1,171,727	1,628,140
Total net position	\$ 8,219,849	\$ 8,542,790	\$ 14,780,579	\$ 15,044,251	\$ 23,000,428	\$ 23,587,041

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

As noted previously, the Town's overall (government and business-type activities) net position decreased by \$586,613 during the current fiscal year. The overall decrease is attributed to a decrease in operating and capital grant revenues in the governmental funds.

## Government-wide Financial Analysis: (Continued)

Governmental activities decreased the Town's net position by \$322,941. The following table summarizes the Town's Statement of Activities:

Town of Orange, Virginia  
Changes in Net Position  
As of June 30, 2017

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 575,814	\$ 462,522	\$ 2,814,777	\$ 2,954,181	\$ 3,390,591	\$ 3,416,703
Operating grants and contributions	1,155,760	1,074,655	-	-	1,155,760	1,074,655
Capital grants and contributions	102,032	335,279	207,644	71,149	309,676	406,428
General revenues:						
Property taxes	878,002	728,639	-	-	878,002	728,639
Other taxes	2,110,096	2,114,900	-	-	2,110,096	2,114,900
Unrestricted revenues from the use of money and property	11,622	19,514	1,618	1,688	13,240	21,202
Miscellaneous	12,977	127,104	61,634	90,435	74,611	217,539
Grants and contributions not restricted to specific programs	308,556	304,340	-	-	308,556	304,340
Gain on sale of surplus property	34,126	-	-	-	34,126	-
Total revenues	\$ 5,188,985	\$ 5,166,953	\$ 3,085,673	\$ 3,117,453	\$ 8,274,658	\$ 8,284,406
Expenses:						
General government administration	\$ 875,454	\$ 979,006	\$ -	\$ -	\$ 875,454	\$ 979,006
Public safety	1,527,727	1,639,762	-	-	1,527,727	1,639,762
Public works	2,653,300	1,979,808	-	-	2,653,300	1,979,808
Parks, recreation and cultural	47,917	50,109	-	-	47,917	50,109
Community development	355,813	343,595	-	-	355,813	343,595
Interest on long-term obligations	51,715	56,142	-	-	51,715	56,142
Water fund	-	-	1,511,899	1,414,969	1,511,899	1,414,969
Sewer fund	-	-	1,837,446	1,869,725	1,837,446	1,869,725
Total expenses	\$ 5,511,926	\$ 5,048,422	\$ 3,349,345	\$ 3,284,694	\$ 8,861,271	\$ 8,333,116
Increase (decrease) in net position	\$ (322,941)	\$ 118,531	\$ (263,672)	\$ (167,241)	\$ (586,613)	\$ (48,710)
Net position - beginning of year,	\$ 8,542,790	\$ 8,424,259	\$ 15,044,251	\$ 15,211,492	\$ 23,587,041	\$ 23,635,751
Net position - end of year	\$ 8,219,849	\$ 8,542,790	\$ 14,780,579	\$ 15,044,251	\$ 23,000,428	\$ 23,587,041

Business-type activities decreased the Town's net position by \$263,672. Similar to how changes arise in the governmental activities, business-type activities also experience budgetary differences; however, as a public utility function comprises the Town's business-type activities there is more of a direct correlation to the revenues generated relative to the expenses incurred because of service demands.



## Financial Analysis of the Town's Funds

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

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

In fiscal year 2017, the General Fund's operating expenditures exceeded revenues by \$206,020.

At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,707,406. Nonspendable fund balance was \$37,151 and consisted entirely of prepaid items.

**Proprietary Fund:** The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the water and sewer funds at the end of the year amounted to (\$127,184). The total net position decreased by \$263,672 from the prior year.

## General Fund Budgetary Highlights

During the fiscal year, the Town's actual revenue was under budget by \$1,253,963 with the shortage generated by miscellaneous and intergovernmental revenues. Expenditures were under budget by \$1,047,943.

## 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, 2017, amounts to \$37.8 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	
	2017	2016	2017	2016	2017	2016
Land	\$ 967,466	\$ 967,466	\$ 248,292	\$ 248,292	\$ 1,215,758	\$ 1,215,758
Wastewater treatment plant	-	-	21,263,628	21,746,893	21,263,628	21,746,893
Buildings	2,063,223	2,123,438	2,186,837	2,275,711	4,250,060	4,399,149
Equipment and improvements	487,693	529,991	3,439,477	3,737,591	3,927,170	4,267,582
Road systems	4,399,871	4,593,787	-	-	4,399,871	4,593,787
Water storage facility	-	-	2,711,910	2,773,759	2,711,910	2,773,759
Construction in progress	74,977	-	-	-	74,977	-
Total	\$ 7,993,230	\$ 8,214,682	\$ 29,850,144	\$ 30,782,246	\$ 37,843,374	\$ 38,996,928

Additional information on the Town's capital assets can be found in Note 4 on pages 31 through 33 of this report.

## Capital Asset and Debt Administration: (Continued)

**Long-term obligations:** At the end of the current fiscal year, the Town had total outstanding obligations of \$18.7 million and details are summarized in the following table:

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Bonds Payable:						
General obligation bonds	\$ 1,163,250	\$ 1,297,200	\$ 2,911,749	\$ 3,132,799	\$ 4,074,999	\$ 4,429,999
Revenue bonds	-	-	12,030,632	12,680,937	12,030,632	12,680,937
Capital lease	68,671	102,123	-	-	68,671	102,123
Net pension liability	1,499,137	1,207,763	551,129	417,591	2,050,266	1,625,354
Net OPEB obligation	168,977	158,445	62,023	45,555	231,000	204,000
Compensated absences	146,926	148,887	70,152	62,650	217,078	211,537
Total	<u>\$ 3,046,961</u>	<u>\$ 2,914,418</u>	<u>\$ 15,625,685</u>	<u>\$ 16,339,532</u>	<u>\$ 18,672,646</u>	<u>\$ 19,253,950</u>

Debt associated with governmental activities increased by \$132,543 while debt associated with business-type activities decreased by \$713,847.

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, 2017.

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

## Economic Factors and Next Year's Budgets and Rates

Real estate assessments are conducted by the County of Orange every four years. The most recent property assessments were performed effective with tax year 2016. The real estate tax rate effective for calendar year 2017 is \$.175 per \$100 of assessed value and personal property is \$.83 per \$100 of assessed value. The fiscal year 2018 budget was approved by Town Council on April 17, 2017. The general government fiscal year 2018 budget totaled \$5.367 million including \$972,467 for capital outlay.

## Requests for Information

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



## Basic Financial Statements

This page intentionally left blank

## Government-wide Financial Statements

This page intentionally left blank

Statement of Net Position  
As of June 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,304,768	\$ 190,674	\$ 2,495,442
Receivables (net of allowance for uncollectibles):			
Taxes receivable	374,225	-	374,225
Other local receivables	175,042	-	175,042
Accounts receivable	-	410,271	410,271
Internal balances	160,000	(160,000)	-
Due from other governmental units	96,145	-	96,145
Prepaid items	37,151	10,116	47,267
Restricted assets:			
Cash and cash equivalents	108,489	82,096	190,585
Capital assets (net of accumulated depreciation):			
Land	967,466	248,292	1,215,758
Wastewater treatment plant	-	21,263,628	21,263,628
Buildings	2,063,223	2,186,837	4,250,060
Equipment and improvements	487,693	3,439,477	3,927,170
Water storage facility	-	2,711,910	2,711,910
Road systems	4,399,871	-	4,399,871
Construction in progress	74,977	-	74,977
Total assets	\$ 11,249,050	\$ 30,383,301	\$ 41,632,351
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	\$ 51,140	\$ -	\$ 51,140
Pension contributions after measurement date	208,150	76,711	284,861
Items related to measurement of net pension liability	165,934	77,387	243,321
Total deferred outflows of resources	\$ 425,224	\$ 154,098	\$ 579,322
<b>LIABILITIES</b>			
Accounts payable	\$ 11,632	\$ 18,543	\$ 30,175
Accrued liabilities	42,379	-	42,379
Accrued interest payable	10,293	30,496	40,789
Deposits held	-	82,096	82,096
Long-term liabilities:			
Due within one year	185,031	891,019	1,076,050
Due in more than one year	2,861,930	14,734,666	17,596,596
Total liabilities	\$ 3,111,265	\$ 15,756,820	\$ 18,868,085
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred revenue-property taxes	\$ 327,706	\$ -	\$ 327,706
Items related to measurement of net pension liability	15,454	-	15,454
Total deferred inflows of resources	\$ 343,160	\$ -	\$ 343,160
<b>NET POSITION</b>			
Net investment in capital assets	\$ 6,812,449	\$ 14,907,763	\$ 21,720,212
Restricted for:			
Taylor park fund	108,489	-	108,489
Unrestricted	1,298,911	(127,184)	1,171,727
Total net position	\$ 8,219,849	\$ 14,780,579	\$ 23,000,428

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

TOWN OF ORANGE, VIRGINIA

Statement of Activities

For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 875,454	\$ 317,016	\$ -	\$ -
Public safety	1,527,727	84,083	124,268	-
Public works	2,653,300	172,940	1,128,524	-
Parks, recreation, and cultural	47,917	-	5,000	-
Community development	355,813	1,775	-	-
Interest on long-term debt	51,715	-	-	-
Total governmental activities	\$ 5,511,926	\$ 575,814	\$ 1,257,792	\$ -
Business-type activities:				
Water	\$ 1,511,899	\$ 1,174,447	\$ -	\$ 50,740
Sewer	1,837,446	1,640,330	-	156,904
Total business-type activities	\$ 3,349,345	\$ 2,814,777	\$ -	\$ 207,644
Total primary government	\$ 8,861,271	\$ 3,390,591	\$ 1,257,792	\$ 207,644
General revenues:				
General property taxes				
Other local taxes:				
Local sales and use tax				
Consumers' utility tax				
Bank franchise tax				
Restaurant food tax				
Transient/occupancy tax				
Tobacco tax				
Other local taxes				
Unrestricted revenues from use of money and property				
Miscellaneous				
Grants and contributions not restricted to specific programs				
Gain (loss) on disposal of surplus property				
Total general revenues				
Change in net position				
Net position - beginning				
Net position - ending				

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (558,438)	\$ -	\$ (558,438)
(1,319,376)	-	(1,319,376)
(1,351,836)	-	(1,351,836)
(42,917)	-	(42,917)
(354,038)	-	(354,038)
(51,715)	-	(51,715)
<u>\$ (3,678,320)</u>	<u>\$ -</u>	<u>\$ (3,678,320)</u>
\$ -	\$ (286,712)	\$ (286,712)
<u>-</u>	<u>(40,212)</u>	<u>(40,212)</u>
\$ -	\$ (326,924)	\$ (326,924)
<u>\$ (3,678,320)</u>	<u>\$ (326,924)</u>	<u>\$ (4,005,244)</u>
\$ 878,002	\$ -	\$ 878,002
225,086	-	225,086
219,739	-	219,739
183,386	-	183,386
1,164,425	-	1,164,425
124,377	-	124,377
84,630	-	84,630
108,453	-	108,453
11,622	1,618	13,240
12,977	61,634	74,611
308,556	-	308,556
34,126	-	34,126
<u>\$ 3,355,379</u>	<u>\$ 63,252</u>	<u>\$ 3,418,631</u>
\$ (322,941)	\$ (263,672)	\$ (586,613)
<u>8,542,790</u>	<u>15,044,251</u>	<u>23,587,041</u>
<u>\$ 8,219,849</u>	<u>\$ 14,780,579</u>	<u>\$ 23,000,428</u>

This page intentionally left blank



## Fund Financial Statements

This page intentionally left blank

Balance Sheet  
Governmental Funds  
As of June 30, 2017

	General	Taylor Park	Capital Projects	Total
<b>ASSETS</b>				
Cash and cash equivalents (Note 1)	\$ 2,337,800	\$ -	\$ -	\$ 2,337,800
Receivables (net of allowance for uncollectibles):				
Taxes receivable (Note 1)	374,225	-	-	374,225
Other local revenues	175,042	-	-	175,042
Due from other funds	160,000	-	-	160,000
Due from other governmental units (Note 3)	96,145	-	-	96,145
Prepaid items	37,151	-	-	37,151
Restricted assets:				
Cash and cash equivalents	-	108,489	-	108,489
Total assets	<u>\$ 3,180,363</u>	<u>\$ 108,489</u>	<u>\$ -</u>	<u>\$ 3,288,852</u>
<b>LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 11,632	\$ -	\$ -	\$ 11,632
Accrued liabilities	42,379	-	-	42,379
Fund overdraft payable	-	-	33,032	33,032
Total liabilities	<u>\$ 54,011</u>	<u>\$ -</u>	<u>\$ 33,032</u>	<u>\$ 87,043</u>
Deferred inflows of resources:				
Unavailable revenue - property taxes	<u>\$ 381,795</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 381,795</u>
Fund balances:				
Nonspendable:				
Prepaid items	\$ 37,151	\$ -	\$ -	\$ 37,151
Restricted:				
Taylor Park fund	-	108,489	-	108,489
Unassigned	<u>2,707,406</u>	<u>-</u>	<u>(33,032)</u>	<u>2,674,374</u>
Total fund balances	<u>\$ 2,744,557</u>	<u>\$ 108,489</u>	<u>\$ (33,032)</u>	<u>\$ 2,820,014</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 3,180,363</u>	<u>\$ 108,489</u>	<u>\$ -</u>	<u>\$ 3,288,852</u>

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

Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Position  
As of June 30, 2017

---

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	2,820,014	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			7,993,230
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			54,089
Interest paid on long-term debt is not accrued in governmental funds, but rather is recognized when paid.			(10,293)
Employer contributions to the pension plan made during the current year and subsequent to the net pension liability measurement date, which will be recognized as a reduction of the net pension liability next fiscal year, are recorded as deferred outflows and not reported in the funds.			208,150
Certain items related to measurement of the net pension liability are recorded as deferred outflows and not reported in the funds.			165,934
Certain items related to measurement of the net pension liability are recorded as deferred inflows and not reported in the funds.			(15,454)
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	\$	(1,163,250)	
Deferred charge on refunding		51,140	
Capital lease		(68,671)	
Net pension liability		(1,499,137)	
Net OPEB obligation		(168,977)	
Compensated absences		(146,926)	(2,995,821)
Net position of governmental activities	\$		<u>8,219,849</u>

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

Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2017

	General	Taylor Park	Capital Projects	Total
<b>REVENUES</b>				
General property taxes	\$ 836,044	\$ -	\$ -	\$ 836,044
Other local taxes	2,110,096	-	-	2,110,096
Permits, privilege fees, and regulatory licenses	1,775	-	-	1,775
Fines and forfeitures	84,083	-	-	84,083
Revenue from the use of money and property	11,411	193	18	11,622
Charges for services	172,940	-	-	172,940
Miscellaneous	46,804	-	300	47,104
Recovered costs	59,928	-	-	59,928
Revenue from internal sources	317,016	-	-	317,016
Intergovernmental:				
Commonwealth	1,558,748	-	7,600	1,566,348
Total revenues	<u>\$ 5,198,845</u>	<u>\$ 193</u>	<u>\$ 7,918</u>	<u>\$ 5,206,956</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 687,550	\$ -	\$ -	\$ 687,550
Public safety	1,453,981	-	-	1,453,981
Public works	1,688,096	-	-	1,688,096
Parks, recreation, and cultural	26,623	-	-	26,623
Community development	120,146	-	-	120,146
Nondepartmental	214,299	-	-	214,299
Capital outlay	1,019,761	-	35,377	1,055,138
Debt service:				
Principal retirement	167,402	-	-	167,402
Interest and other fiscal charges	27,007	-	-	27,007
Total expenditures	<u>\$ 5,404,865</u>	<u>\$ -</u>	<u>\$ 35,377</u>	<u>\$ 5,440,242</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (206,020)</u>	<u>\$ 193</u>	<u>\$ (27,459)</u>	<u>\$ (233,286)</u>
Fund balances - beginning	<u>2,950,577</u>	<u>\$ 108,296</u>	<u>\$ (5,573)</u>	<u>3,053,300</u>
Fund balances - ending	<u>\$ 2,744,557</u>	<u>\$ 108,489</u>	<u>\$ (33,032)</u>	<u>\$ 2,820,014</u>

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

Reconciliation of Statement of Revenues,  
Expenditures, and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Year Ended June 30, 2017

---

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

Net change in fund balances - total governmental funds	\$	(233,286)
--	----	-----------

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	\$	354,751	
Depreciation expense		<u>(576,203)</u>	(221,452)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	41,958
--	--------

The change in deferred outflows or deferred inflows related to the measurement of the net pension liability is not reported in governmental funds.

Change in deferred outflows related to measurement of net pension liability	119,903	
Change in deferred inflows related to measurement of net pension liability	<u>94,498</u>	214,401

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	133,950	
Amortization of deferred charge on refunding	(13,204)	
Payments on capital lease	<u>33,452</u>	154,198

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

Increase/(decrease) in pension contributions after measurement date	19,823	
(Increase)/decrease in accrued interest payable	1,362	
(Increase)/decrease in net pension liability	(291,374)	
(Increase)/decrease in net OPEB obligation	(10,532)	
(Increase)/decrease in compensated absences	<u>1,961</u>	<u>(278,760)</u>

Change in net position of governmental activities	\$	<u><u>(322,941)</u></u>
---	----	-------------------------

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

Statement of Net Position  
Proprietary Funds  
As of June 30, 2017

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 823,659	\$ -	\$ 823,659
Accounts receivable (net of allowances for uncollectibles)	172,333	237,938	410,271
Restricted assets:			
Cash and cash equivalents	82,096	-	82,096
Prepaid items	2,920	7,196	10,116
Total current assets	\$ 1,081,008	\$ 245,134	\$ 1,326,142
Noncurrent assets:			
Capital assets (net of accumulated depreciation):			
Land	\$ 160,251	\$ 88,041	\$ 248,292
Waste water treatment plant	-	21,263,628	21,263,628
Buildings	573,148	1,613,689	2,186,837
Equipment and improvements	2,069,472	1,370,005	3,439,477
Water storage facility	2,711,910	-	2,711,910
Total capital assets, net	\$ 5,514,781	\$ 24,335,363	\$ 29,850,144
Total assets	\$ 6,595,789	\$ 24,580,497	\$ 31,176,286
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension contributions after measurement date	\$ 33,724	\$ 42,987	\$ 76,711
Items related to measurement of net pension liability	29,048	48,339	77,387
Total deferred outflows of resources	\$ 62,772	\$ 91,326	\$ 154,098
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued expenses	\$ 10,093	\$ 8,450	\$ 18,543
Accrued interest payable	21,934	8,562	30,496
Bank overdraft payable	-	632,985	632,985
Deposits held	82,096	-	82,096
Compensated absences, current portion	3,081	3,934	7,015
Bonds payable, current portion	114,800	769,204	884,004
Total current liabilities	\$ 232,004	\$ 1,423,135	\$ 1,655,139
Noncurrent liabilities:			
Due to other funds	\$ 160,000	\$ -	\$ 160,000
Net pension liability	242,297	308,832	551,129
Net OPEB obligation	31,808	30,215	62,023
Compensated absences, net of current portion	27,732	35,405	63,137
Bonds payable, net of current portion	1,782,200	12,276,177	14,058,377
Total noncurrent liabilities	\$ 2,244,037	\$ 12,650,629	\$ 14,894,666
Total liabilities	\$ 2,476,041	\$ 14,073,764	\$ 16,549,805
<b>NET POSITION</b>			
Net investment in capital assets	\$ 3,617,781	\$ 11,289,982	\$ 14,907,763
Unrestricted	564,739	(691,923)	(127,184)
Total net position	\$ 4,182,520	\$ 10,598,059	\$ 14,780,579

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

Statement of Revenues, Expenses, and Changes in Net Position  
 Proprietary Funds  
 For the Year Ended June 30, 2017

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
<b>OPERATING REVENUES</b>			
Charges for services:			
Charges for services and connection fees	\$ 1,174,447	\$ 1,640,330	\$ 2,814,777
Miscellaneous	39,479	22,155	61,634
Total operating revenues	\$ 1,213,926	\$ 1,662,485	\$ 2,876,411
<b>OPERATING EXPENSES</b>			
Personal services	\$ 306,512	\$ 366,256	\$ 672,768
Fringe benefits	161,175	169,701	330,876
Contractual services/maintenance	117,182	51,021	168,203
Materials and supplies	310,243	299,392	609,635
Utilities	126,451	117,490	243,941
Internal services	173,412	143,604	317,016
Other charges	100	66	166
Depreciation	263,200	668,902	932,102
Total operating expenses	\$ 1,458,275	\$ 1,816,432	\$ 3,274,707
Operating income (loss)	\$ (244,349)	\$ (153,947)	\$ (398,296)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest earned	\$ 1,618	\$ -	\$ 1,618
Interest and fiscal charges	(53,624)	(21,014)	(74,638)
Total nonoperating revenues (expenses)	\$ (52,006)	\$ (21,014)	\$ (73,020)
Income (loss) before capital contributions, grants, and transfers	\$ (296,355)	\$ (174,961)	\$ (471,316)
Capital contributions and grants	\$ 50,740	\$ 156,904	\$ 207,644
Change in net position	\$ (245,615)	\$ (18,057)	\$ (263,672)
Net Position at Beginning of Year	4,428,135	10,616,116	15,044,251
Net Position at End of Year	\$ 4,182,520	\$ 10,598,059	\$ 14,780,579

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



Statement of Cash Flows  
 Proprietary Funds  
 For the Year Ended June 30, 2017

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 1,222,620	\$ 1,670,878	\$ 2,893,498
Payments to suppliers	(728,172)	(533,861)	(1,262,033)
Payments to and on behalf of employees	(448,334)	(504,767)	(953,101)
Net cash provided by (used for) operating activities	\$ 46,114	\$ 632,250	\$ 678,364
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Capital contributions	\$ 50,740	\$ 156,904	\$ 207,644
Principal payments on bonds	(104,200)	(767,155)	(871,355)
Interest payments	(55,188)	(21,999)	(77,187)
Net cash provided by (used for) capital and related financing activities	\$ (108,648)	\$ (632,250)	\$ (740,898)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	\$ 1,618	\$ -	\$ 1,618
Net increase (decrease) in cash and cash equivalents	\$ (60,916)	\$ -	\$ (60,916)
Cash and cash equivalents - beginning	966,671	-	966,671
Cash and cash equivalents - ending	\$ 905,755	\$ -	\$ 905,755
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>			
Operating income (loss)	\$ (244,349)	\$ (153,947)	\$ (398,296)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation expense	263,200	668,902	932,102
Changes in operating assets, deferred outflows of resources, liabilities, and deferred inflows of resources:			
(Increase) decrease in receivables	3,813	8,393	12,206
(Increase) decrease in prepaid items	(25)	(9)	(34)
(Increase) decrease in deferred outflows of resources	(25,110)	(43,837)	(68,947)
Increase (decrease) in accounts payable and accrued expenses	(759)	(5,387)	(6,146)
Increase (decrease) in bank overdraft payable	-	83,108	83,108
Increase (decrease) in deposits held	4,881	-	4,881
Increase (decrease) in net pension liability	52,752	80,786	133,538
Increase (decrease) in net OPEB obligation	8,735	7,733	16,468
Increase (decrease) in compensated absences	232	7,270	7,502
Increase (decrease) in deferred inflows of resources	(17,256)	(20,762)	(38,018)
Net cash provided by (used for) operating activities	\$ 46,114	\$ 632,250	\$ 678,364

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

This page intentionally left blank

## TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017

---

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

---

#### A. Financial Reporting Entity

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

##### Individual Component Unit Disclosures

The Town has no component units.

##### Related Organizations

The Town has no related organizations.

##### Jointly Governed Organizations

The Town has no jointly governed organizations.

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

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

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

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

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

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

---

**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 Capital Projects Fund is considered a major fund.

- c. Special Revenue Funds

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

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

Enterprise Funds

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

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

---

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

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

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

D. Budgets and Budgetary Accounting

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

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

## TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (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	\$ 31,045
Community Development	2,625
Nondepartmental	16,003
Total	<u>\$ 49,673</u>

#### E. Receivables and Payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. As of June 30, 2017, the allowances amounted to \$6,855 for property taxes, \$67,372 for water charges and \$97,518 for sewer charges.

#### F. Cash and Cash Equivalents

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

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

#### G. Restricted Assets

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

#### H. Capital Assets

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



**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)****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, 2017 was immaterial.

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

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

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

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has three items that qualify for reporting in this category. One item is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is contributions to the pension plan made during the current year and subsequent to the net pension liability measurement date, which will be recognized as a reduction of the net pension liability next fiscal year. The final deferred outflow of resources is comprised of certain items related to the measurement of the net pension liability. These include differences between expected and actual experience, changes in assumptions, and the net difference between projected and actual earnings on pension plan investments. For more detailed information on the pension items, reference Note 7.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has two items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, 2<sup>nd</sup> half installments levied during the fiscal year but due after June 30<sup>th</sup>, and amounts prepaid on the 2<sup>nd</sup> half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2<sup>nd</sup> half installments levied during the fiscal year but due after June 30<sup>th</sup> and amounts prepaid on the 2<sup>nd</sup> half installments are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension liability are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on pension plan investments. For more detailed information on the pension item, reference Note 7.



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

---

**J. Compensated Absences**

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

**K. Long-term Obligations**

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

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

**L. Property Taxes**

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

**M. Use of Estimates**

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

**N. Prepaid Items**

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

**O. Net Position**

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

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

---

**P. Net Position Flow Assumption**

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

**Q. Investments**

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

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

**R. Fund Equity**

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

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

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.

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

---

R. Fund Equity: (Continued)

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

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

S. Upcoming Pronouncements

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

Statement No. 81, *Irrevocable Split-Interest Agreements*, improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively.

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

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

## TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

---

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

---

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

Statement No. 86, Certain Debt Extinguishment Issues, improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

Statement No. 87, Leases, increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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

### NOTE 2—DEPOSITS AND INVESTMENTS:

---

#### Deposits:

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

#### Investments:

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

## TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

### NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

#### Custodial Credit Risk (Investments):

The Town does not have an investment policy.

The Town's investments at June 30, 2017 were held by the Town or in the Town's name by the Town's custodial banks.

Town's Rated Debt Investments		
Investment	S&P Rating	Value
Local Government Investment Pool	AAAm	\$ <u>8,612</u>

#### Interest Rate Risk

The Town reports investments and the maturities as follows:

Investment Type	Investment Maturity*	
	Value	Less than 1
Local Government Investment Pool	\$ <u>8,612</u>	\$ <u>8,612</u>
Total investments	\$ <u>8,612</u>	\$ <u>8,612</u>

\* Weighted average maturity in years.

#### External Investment Pools:

The fair value of the positions in the external investment pools (Local Government Investment Pool) is the same as the value of the pool shares. As LGIP is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP is an amortized cost basis portfolio under the provisions of GASB Statement No. 79. There are no withdrawal limitations or restrictions imposed on participants.

### NOTE 3—DUE FROM OTHER GOVERNMENTS:

Commonwealth of Virginia:	
Communications tax	\$ 27,414
Auto rental tax	3,811
Highway construction	26,018
County of Orange:	
Local Sales Tax	<u>38,902</u>
Total	\$ <u>96,145</u>

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

NOTE 4—CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2017 was as follows:

	Balance June 30, 2016	Additions	Retirements	Balance June 30, 2017
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 967,466	\$ -	\$ -	\$ 967,466
Construction in progress	-	74,977	-	74,977
Total capital assets, not being depreciated	\$ 967,466	\$ 74,977	\$ -	\$ 1,042,443
Capital assets, being depreciated:				
Buildings	\$ 3,125,805	\$ -	\$ -	\$ 3,125,805
Equipment and improvements	2,856,585	150,090	-	3,006,675
Road systems	6,142,310	129,684	-	6,271,994
Total capital assets being depreciated	\$ 12,124,700	\$ 279,774	\$ -	\$ 12,404,474
Less accumulated depreciation for:				
Buildings	\$ (1,002,367)	\$ (60,215)	\$ -	\$ (1,062,582)
Equipment and improvements	(2,326,594)	(192,388)	-	(2,518,982)
Road systems	(1,548,523)	(323,600)	-	(1,872,123)
Total accumulated depreciation	\$ (4,877,484)	\$ (576,203)	\$ -	\$ (5,453,687)
Total capital assets, being depreciated, net	\$ 7,247,216	\$ (296,429)	\$ -	\$ 6,950,787
Governmental activities capital assets, net	\$ 8,214,682	\$ (221,452)	\$ -	\$ 7,993,230

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

NOTE 4—CAPITAL ASSETS: (CONTINUED)

	Balance June 30, 2016	Additions	Retirements	Balance June 30, 2017
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 248,292	\$ -	\$ -	\$ 248,292
Total capital assets, not being depreciated	\$ 248,292	\$ -	\$ -	\$ 248,292
Capital assets, being depreciated:				
Buildings	\$ 4,431,353	\$ -	\$ -	\$ 4,431,353
Wastewater treatment plant	24,163,214	-	-	24,163,214
Equipment and improvements	10,877,325	-	-	10,877,325
Water storage facility	3,807,196	-	-	3,807,196
Total capital assets being depreciated	\$ 43,279,088	\$ -	\$ -	\$ 43,279,088
Less accumulated depreciation for:				
Buildings	\$ (2,155,642)	\$ (88,874)	\$ -	\$ (2,244,516)
Wastewater treatment plant	(2,416,321)	(483,265)	-	(2,899,586)
Equipment and improvements	(7,139,734)	(298,114)	-	(7,437,848)
Water storage facility	(1,033,437)	(61,849)	-	(1,095,286)
Total accumulated depreciation	\$ (12,745,134)	\$ (932,102)	\$ -	\$ (13,677,236)
Total capital assets, being depreciated, net	\$ 30,533,954	\$ (932,102)	\$ -	\$ 29,601,852
Business-type activities capital assets, net	\$ 30,782,246	\$ (932,102)	\$ -	\$ 29,850,144

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

NOTE 4—CAPITAL ASSETS: (CONTINUED)

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

Governmental activities:

General government administration	\$	166,956
Public safety		41,895
Public works		364,058
Parks, recreation and cultural		<u>3,294</u>

Total depreciation expense - governmental activities	\$	<u><u>576,203</u></u>
--	----	-----------------------

Business-type activities:

Water	\$	263,200
Sewer		<u>668,902</u>

Total depreciation expense - business-type activities	\$	<u><u>932,102</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, 2017:

	Balance June 30, 2016	Issuances/ Increases	Retirements/ Decreases	Balance June 30, 2017
General Obligation Bonds	\$ 1,297,200	\$ -	\$ 133,950	\$ 1,163,250
Capital Lease	102,123	-	33,452	68,671
Net Pension Liability (Note 7)	1,207,763	656,847	365,473	1,499,137
Net OPEB Obligation (Note 12)	158,445	11,995	1,463	168,977
Compensated Absences (Note 6)	148,887	-	1,961	146,926
Total	<u>\$ 2,914,418</u>	<u>\$ 668,842</u>	<u>\$ 536,299</u>	<u>\$ 3,046,961</u>



TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

NOTE 5—LONG-TERM OBLIGATIONS: (CONTINUED)

Governmental Activities: (Continued)

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 170,338	\$ 23,652
2019	173,283	20,237
2020	141,000	16,765
2021	143,350	13,850
2022	148,050	10,863
2023-2025	<u>455,900</u>	<u>11,296</u>
Total	<u>\$ 1,231,921</u>	<u>\$ 96,663</u>

Details of Long-term Obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
\$1,445,250 General obligation bonds issued July 22, 2013 payable in annual principal payments beginning August 1, 2014 ranging from \$18,800 to \$155,100 and semi-annual interest payments at 2.05%. Final payment due August 1, 2024.	\$ 1,163,250	\$ 136,300
\$135,000 Capital lease dated February 5, 2015 with annual payments of \$35,239, including interest of 1.75%. Final installment due June 30, 2019.	68,671	34,038
Net pension liability (Note 7)	1,499,137	-
Compensated absences (Note 6)	146,926	14,693
Net OPEB obligation (Note 12)	<u>168,977</u>	<u>-</u>
Total governmental activities long-term obligations	<u>\$ 3,046,961</u>	<u>\$ 185,031</u>

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

NOTE 5—LONG-TERM OBLIGATIONS: (CONTINUED)

Governmental Activities: (Continued)

The assets acquired through capital leases are as follows:

Asset:	
Equipment	\$ 147,655
Less: Accumulated depreciation	<u>(88,593)</u>
Total	<u>\$ 59,062</u>

Business-type Activities:

Changes in Long-term Obligations:

	<u>Balance June 30, 2016</u>	<u>Issuances/ Increases</u>	<u>Retirements/ Decreases</u>	<u>Balance June 30, 2017</u>
General Obligation Bonds	\$ 3,132,799	\$ -	\$ 221,050	\$ 2,911,749
Revenue Bonds	12,680,937	-	650,305	12,030,632
Net Pension Liability (Note 7)	417,591	260,795	127,257	551,129
Net OPEB obligation (Note 12)	45,555	17,005	537	62,023
Compensated Absences (Note 6)	<u>62,650</u>	<u>7,502</u>	<u>-</u>	<u>70,152</u>
Total	<u>\$ 16,339,532</u>	<u>\$ 285,302</u>	<u>\$ 999,149</u>	<u>\$ 15,625,685</u>

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 884,004	\$ 71,925
2019	886,654	66,387
2020	889,304	60,795
2021	891,954	55,148
2022	907,254	49,347
2023-2027	4,235,622	157,951
2028-2032	3,791,522	71,464
2033-2036	<u>2,456,067</u>	<u>5,311</u>
Total	<u>\$ 14,942,381</u>	<u>\$ 538,328</u>

# TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

## NOTE 5—LONG TERM OBLIGATIONS: (CONTINUED)

### Business-type Activities: (Continued)

#### Details of Long-term Obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>Bonds Payable:</u>		
\$16,177,744 Revenue bonds, Series 2008 issued May 1, 2008 payable in semi-annual principal payments of \$325,152 beginning May 1, 2011. Interest at 0.0%. Final payment due December 2036.	\$ 12,030,632	\$ 650,304
\$1,629,750 General obligation bonds issued July 22, 2013 payable in annual principal payments beginning August 1, 2014 ranging from \$21,200 to \$174,900 and semi-annual interest payments at 2.05%. Final payment due August 1, 2024.	1,311,749	153,700
\$1,845,000 General obligation bonds issued July 22, 2013 payable in semi-annual principal payments beginning February 1, 2014 ranging from \$35,000 to \$60,000 and semi-annual interest payments at 2.95%. Final payment due August 1, 2033.	<u>1,600,000</u>	<u>80,000</u>
Total bonds payable	\$ 14,942,381	\$ 884,004
Net pension liability (Note 7)	\$ 551,129	\$ -
Compensated absences (Note 6)	70,152	7,015
Net OPEB obligation (Note 12)	<u>62,023</u>	<u>-</u>
Total business-type long-term obligations	<u>\$ 15,625,685</u>	<u>\$ 891,019</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 \$146,926 and the Enterprise Funds have outstanding accrued leave pay of \$70,152.

# TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

## NOTE 7—PENSION PLAN:

### *Plan Description*

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

The System administers three different benefit structures for covered employees - Plan 1, Plan 2, and Hybrid. Each of these benefit structures has different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>About Plan 1</b> Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p><b>About Plan 2</b> Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p><b>About the Hybrid Retirement Plan</b> The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members")</p> <ul style="list-style-type: none"> <li>• The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</li> <li>• The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.</li> </ul>

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

*Plan Description (Continued)*

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

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Hybrid Opt-In Election (Cont.)</b> Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p><b>Hybrid Opt-In Election (Cont.)</b> Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p><b>*Non-Eligible Members (Cont.)</b> Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p><b>Retirement Contributions</b> Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees are paying the full 5% as of July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p><b>Retirement Contributions</b> Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees are paying the full 5% as of July 1, 2016.</p>	<p><b>Retirement Contributions</b> A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

*Plan Description (Continued)*

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

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

*Plan Description (Continued)*

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



TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

*Plan Description (Continued)*

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

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

*Plan Description (Continued)*

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

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

*Plan Description (Continued)*

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

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

*Plan Description (Continued)*

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

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

*Plan Description (Continued)*

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

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

*Plan Description (Continued)*

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

*Pension Plan Data*

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-annual-report-pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

## TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

---

### NOTE 7—PENSION PLAN: (CONTINUED)

---

#### *Employees Covered by Benefit Terms*

As of the June 30, 2015 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	30
Inactive members:	
Vested inactive members	15
Non-vested inactive members	17
Inactive members active elsewhere in VRS	<u>51</u>
Total inactive members	83
Active members	<u>51</u>
Total covered employees	<u><u>164</u></u>

#### *Contributions*

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The Town's contractually required contribution rate for the year ended June 30, 2017 was 13.27% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$284,861 and \$257,562 for the years ended June 30, 2017 and June 30, 2016, respectively.

#### *Net Pension Liability*

The Town's net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

## TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

---

### NOTE 7—PENSION PLAN: (CONTINUED)

---

#### *Actuarial Assumptions - General Employees*

The total pension liability for General Employees in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

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

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

Mortality rates: 14% of deaths are assumed to be service related

#### Largest 10 - Non-LEOS:

##### Pre-Retirement:

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

##### Post-Retirement:

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

##### Post-Disablement:

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

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

##### Pre-Retirement:

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

##### Post-Retirement:

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

##### Post-Disablement:

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



## TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

---

### NOTE 7—PENSION PLAN: (CONTINUED)

---

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

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-LEOS:

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

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

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

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

The total pension liability for Public Safety employees in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

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

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

## TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

---

### NOTE 7—PENSION PLAN: (CONTINUED)

---

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

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

Largest 10 - Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - LEOS:

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

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

*Long-Term Expected Rate of Return*

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

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

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

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

*Discount Rate*

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Town Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

*Changes in Net Pension Liability*

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2015	\$ 7,695,731	\$ 6,070,377	\$ 1,625,354
Changes for the year:			
Service cost	\$ 323,066	\$ -	\$ 323,066
Interest	524,852	-	524,852
Differences between expected and actual experience	46,647	-	46,647
Contributions - employer	-	256,860	(256,860)
Contributions - employee	-	110,576	(110,576)
Net investment income	-	105,976	(105,976)
Benefit payments, including refunds of employee contributions	(395,687)	(395,687)	-
Administrative expenses	-	(3,714)	3,714
Other changes	-	(45)	45
Net changes	\$ 498,878	\$ 73,966	\$ 424,912
Balances at June 30, 2016	\$ 8,194,609	\$ 6,144,343	\$ 2,050,266

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

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

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
Net Pension Liability	3,308,145	2,050,266	1,022,222

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

For the year ended June 30, 2017, the Town recognized pension expense of \$367,883. At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 63,089	\$ -
Net difference between projected and actual earnings on pension plan investments	164,777	-
Employer contributions subsequent to the measurement date	284,861	-
Total	\$ 512,727	\$ -

\$284,861 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	
2018	\$ 50,588
2019	22,669
2020	91,043
2021	63,566

## TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

---

### NOTE 8—DEFERRED/UNAVAILABLE REVENUE:

---

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

Unavailable Property Tax Revenue - Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$371,155 (including 2nd ½ tax billings of \$317,066 not due until December 5) at June 30, 2017.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2017 but paid in advance by the taxpayers totaled \$10,640 at June 30, 2017.

### NOTE 9—INTERFUND LOANS AND TRANSFERS:

---

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

### NOTE 10—RISK MANAGEMENT:

---

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

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

### NOTE 11—CLAIMS AND ASSESSMENTS:

---

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

**NOTE 12—OTHER POSTEMPLOYMENT BENEFITS:**

---

Background

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

**A. Plan Description**

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

**B. Funding Policy**

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

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

The annual cost of other postemployment benefits under GASB 45 is called the annual required contribution (ARC). The estimated pay-as-you-go cost for OPEB benefits is \$29,000 for fiscal year 2017. The Town is required to contribute the annual required contribution of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

NOTE 12—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

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

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

Annual required contribution	\$	29,000
Interest on net OPEB obligation		8,000
Adjustment to annual required contribution		<u>(8,000)</u>
Annual OPEB cost (expense)	\$	29,000
Contributions made		<u>(2,000)</u>
Increase in net OPEB obligation	\$	27,000
Net OPEB obligation - beginning of year		<u>204,000</u>
Net OPEB obligation - end of year	\$	<u><u>231,000</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 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, 2015	\$ 37,000	5%	\$ 177,000
June 30, 2016	28,000	4%	204,000
June 30, 2017	29,000	7%	231,000



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

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

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

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

**E. Actuarial Methods and Assumptions:**

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

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

NOTE 12—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

---

E. Actuarial Methods and Assumptions: (Continued)

Actuarial Cost Method

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

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

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

Interest Assumptions

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

### **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.

This page intentionally left blank

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

## General Fund

For the Year Ended June 30, 2017

	General Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
General property taxes	\$ 799,000	\$ 799,000	\$ 836,044	\$ 37,044
Other local taxes/revenues	2,002,100	2,002,100	2,110,096	107,996
Permits, fees, and regulatory licenses	3,100	3,100	1,775	(1,325)
Fines and forfeitures	68,000	68,000	84,083	16,083
Revenues from use of money and property	9,600	9,600	11,411	1,811
Charges for services	172,694	172,694	172,940	246
Miscellaneous revenue	394,095	469,845	46,804	(423,041)
Recovered costs	13,100	13,100	59,928	46,828
Revenue from internal sources	320,388	320,388	317,016	(3,372)
Intergovernmental revenues:				
Commonwealth	2,412,981	2,594,981	1,558,748	(1,036,233)
Total revenues	\$ 6,195,058	\$ 6,452,808	\$ 5,198,845	\$ (1,253,963)
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 689,563	\$ 690,313	\$ 687,550	\$ 2,763
Public safety	1,422,936	1,422,936	1,453,981	(31,045)
Public works	2,451,734	2,708,734	1,688,096	1,020,638
Parks, recreation, and cultural	30,000	30,000	26,623	3,377
Community development	117,521	117,521	120,146	(2,625)
Nondepartmental	198,296	198,296	214,299	(16,003)
Capital projects	1,090,444	1,090,444	1,019,761	70,683
Debt service:				
Principal	167,402	167,402	167,402	-
Interest and finance charges	27,162	27,162	27,007	155
Total expenditures	\$ 6,195,058	\$ 6,452,808	\$ 5,404,865	\$ 1,047,943
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ (206,020)	\$ (206,020)
Fund Balance at Beginning of Year	-	-	2,950,577	2,950,577
Fund Balance at End of Year	\$ -	\$ -	\$ 2,744,557	\$ 2,744,557

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios  
For the Years Ended June 30, 2015 through June 30, 2017

	2016	2015	2014
<b>Total pension liability</b>			
Service cost	\$ 323,066	\$ 319,585	\$ 224,518
Interest	524,852	458,693	431,065
Changes in benefit terms	-	416,043	-
Differences between expected and actual experience	46,647	91,586	-
Benefit payments, including refunds of employee contributions	(395,687)	(285,864)	(235,941)
<b>Net change in total pension liability</b>	<b>\$ 498,878</b>	<b>\$ 1,000,043</b>	<b>\$ 419,642</b>
<b>Total pension liability - beginning</b>	<b>7,695,731</b>	<b>6,695,688</b>	<b>6,276,046</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 8,194,609</b>	<b>\$ 7,695,731</b>	<b>\$ 6,695,688</b>
<b>Plan fiduciary net position</b>			
Contributions - employer	\$ 256,860	\$ 275,028	\$ 209,608
Contributions - employee	110,576	118,347	125,102
Net investment income	105,976	265,333	771,541
Benefit payments, including refunds of employee contributions	(395,687)	(285,864)	(235,941)
Administrative expense	(3,714)	(3,462)	(4,035)
Other	(45)	(56)	41
<b>Net change in plan fiduciary net position</b>	<b>\$ 73,966</b>	<b>\$ 369,326</b>	<b>\$ 866,316</b>
<b>Plan fiduciary net position - beginning</b>	<b>6,070,377</b>	<b>5,701,051</b>	<b>4,834,735</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 6,144,343</b>	<b>\$ 6,070,377</b>	<b>\$ 5,701,051</b>
<b>Town's net pension liability - ending (a) - (b)</b>	<b>\$ 2,050,266</b>	<b>\$ 1,625,354</b>	<b>\$ 994,637</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>74.98%</b>	<b>78.88%</b>	<b>85.15%</b>
<b>Covered payroll</b>	<b>\$ 2,205,029</b>	<b>\$ 2,344,581</b>	<b>\$ 2,330,120</b>
<b>Town's net pension liability as a percentage of covered payroll</b>	<b>92.98%</b>	<b>69.32%</b>	<b>42.69%</b>

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

## Schedule of Employer Contributions

For the Years Ended June 30, 2008 through June 30, 2017

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2017	\$ 289,371	\$ 289,371	\$ -	\$ 2,180,643	13.27%
2016	259,091	259,091	-	2,205,029	11.75%
2015	275,488	275,488	-	2,344,581	11.75%
2014	209,711	209,711	-	2,330,120	9.00%
2013	204,222	204,222	-	2,269,129	9.00%
2012	120,108	120,108	-	2,140,967	5.61%
2011	114,773	114,773	-	2,045,859	5.61%
2010	83,906	83,906	-	2,162,534	3.88%
2009	78,737	78,737	-	2,029,306	3.88%
2008	128,212	128,212	-	2,012,749	6.37%

Notes to Required Supplementary Information  
For the Years Ended June 30, 2015 through June 30, 2017

---

**Changes of benefit terms** - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2016 are not material.

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

Largest 10 - Non-LEOS:

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

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

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

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

All Others (Non 10 Largest) - LEOS:

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



Schedule of OPEB Funding Progress  
For the Year Ended June 30, 2017

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

This page intentionally left blank

## Other Supplementary Information

This page intentionally left blank

## Supporting Schedules

This page intentionally left blank

Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2017

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 615,000	\$ 615,000	\$ 642,877	\$ 27,877
Personal property taxes	157,000	157,000	161,300	4,300
Public service corporation taxes	22,000	22,000	31,867	9,867
Delinquent taxes	5,000	5,000	-	(5,000)
Total general property taxes	\$ 799,000	\$ 799,000	\$ 836,044	\$ 37,044
Other local taxes/revenues				
Local sales and use taxes	\$ 190,000	\$ 190,000	\$ 225,086	\$ 35,086
Consumers' utility taxes	231,400	231,400	219,739	(11,661)
Electric consumption taxes	17,000	17,000	15,777	(1,223)
Motor vehicle licenses	88,000	88,000	88,965	965
Bank franchise taxes	150,000	150,000	183,386	33,386
Restaurant food taxes	1,090,000	1,090,000	1,164,425	74,425
Business License	8,700	8,700	3,711	(4,989)
Transient/occupancy tax	130,000	130,000	124,377	(5,623)
Cigarette tax	97,000	97,000	84,630	(12,370)
Total other local taxes/revenues	\$ 2,002,100	\$ 2,002,100	\$ 2,110,096	\$ 107,996
Permits, fees, and regulatory licenses:				
Planning and development fees	\$ 3,000	\$ 3,000	\$ 1,675	\$ (1,325)
Construction permits/fees	100	100	100	-
Total permits, fees, and regulatory licenses	\$ 3,100	\$ 3,100	\$ 1,775	\$ (1,325)
Fines and forfeitures:				
Court fines and forfeitures	\$ 68,000	\$ 68,000	\$ 84,083	\$ 16,083
Revenue from use of money and property:				
Revenue from use of money	\$ 4,400	4,400	\$ 4,361	\$ (39)
Revenue from use of property	5,200	5,200	7,050	1,850
Total revenue from use of money and property	\$ 9,600	\$ 9,600	\$ 11,411	\$ 1,811
Charges for services:				
Refuse collection	\$ 148,334	\$ 148,334	\$ 149,340	\$ 1,006
Transit fees	24,360	24,360	23,600	(760)
Total charges for services	\$ 172,694	\$ 172,694	\$ 172,940	\$ 246

Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2017 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Revenue from Local Sources: (Continued)				
Miscellaneous:				
Reserve funds	\$ 373,795	\$ 449,545	\$ -	\$ (449,545)
Administrative fees	6,900	6,900	10,550	3,650
Proceeds from the sale of surplus property	-	-	33,231	33,231
Proceeds from the sale of recycled material	-	-	895	895
Revenue refunds	9,900	9,900	1,628	(8,272)
Miscellaneous	3,500	3,500	500	(3,000)
Total miscellaneous	\$ 394,095	\$ 469,845	\$ 46,804	\$ (423,041)
Recovered costs:				
Expenditure refunds	\$ 13,100	\$ 13,100	\$ 59,928	\$ 46,828
Revenue from internal sources:				
Internal charges	\$ 320,388	\$ 320,388	\$ 317,016	\$ (3,372)
Total revenue from local sources	\$ 3,782,077	\$ 3,857,827	\$ 3,640,097	\$ (217,730)
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home registration	\$ 80	\$ 80	\$ -	\$ (80)
Rolling stock tax	7,500	7,500	6,845	(655)
Motor vehicle carriers' tax	36,000	36,000	42,461	6,461
Communications tax	177,000	177,000	169,635	(7,365)
Personal property tax relief funds	89,615	89,615	89,615	-
Total noncategorical aid	\$ 310,195	\$ 310,195	\$ 308,556	\$ (1,639)
Categorical aid:				
State Highway Funds	\$ 905,896	\$ 905,896	\$ 926,451	\$ 20,555
VDOT Revenue Sharing	457,000	639,000	178,767	(460,233)
ISTEA Railroad Avenue	620,983	620,983	23,306	(597,677)
Aid to localities with police departments	103,032	103,032	106,348	3,316
Fire Program Grants	11,375	11,375	15,320	3,945
Miscellaneous Grants	2,000	2,000	-	(2,000)
Litter Control Grant	2,500	2,500	-	(2,500)
Total categorical aid	\$ 2,102,786	\$ 2,284,786	\$ 1,250,192	\$ (1,034,594)
Total revenue from the commonwealth	\$ 2,412,981	\$ 2,594,981	\$ 1,558,748	\$ (1,036,233)
<b>Total General Fund</b>	<b>\$ 6,195,058</b>	<b>\$ 6,452,808</b>	<b>\$ 5,198,845</b>	<b>\$ (1,253,963)</b>



Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2017 (Continued)

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Special Revenue Fund:</b>				
<b>Taylor Park Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 193	\$ 193
Total revenue from local sources	\$ -	\$ -	\$ 193	\$ 193
Total Taylor Park Fund	\$ -	\$ -	\$ 193	\$ 193
<b>Capital Projects Fund:</b>				
<b>General Capital Projects Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 18	\$ 18
Miscellaneous:				
Other miscellaneous	\$ -	\$ -	\$ 300	\$ 300
Total revenue from local sources	\$ -	\$ -	\$ 318	\$ 318
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Virginia Arts Commission	\$ -	\$ -	\$ 5,000	\$ 5,000
Police department grants			2,500	2,500
Asset forfeiture	-	-	100	100
Total categorical aid	\$ -	\$ -	\$ 7,600	\$ 7,600
Total revenue from the commonwealth	\$ -	\$ -	\$ 7,600	\$ 7,600
Total Capital Projects Fund	\$ -	\$ -	\$ 7,918	\$ 7,918
Total Primary Government	\$ 6,195,058	\$ 6,452,808	\$ 5,206,956	\$ (1,245,852)

Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2017

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund:</b>				
General government administration:				
Legislative:				
Town Council	\$ 42,457	\$ 43,207	\$ 50,323	\$ (7,116)
General and financial administration:				
Town manager	\$ 271,549	\$ 271,549	\$ 273,484	\$ (1,935)
Professional services	37,850	37,850	39,023	(1,173)
Treasurer/finance	337,707	337,707	324,720	12,987
Total general and financial administration	\$ 647,106	\$ 647,106	\$ 637,227	\$ 9,879
Total general government administration	\$ 689,563	\$ 690,313	\$ 687,550	\$ 2,763
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 1,371,561	\$ 1,371,561	\$ 1,398,661	\$ (27,100)
Fire and rescue services:				
Volunteer fire departments	\$ 51,375	\$ 51,375	\$ 55,320	\$ (3,945)
Total fire and rescue services	\$ 51,375	\$ 51,375	\$ 55,320	\$ (3,945)
Total public safety	\$ 1,422,936	\$ 1,422,936	\$ 1,453,981	\$ (31,045)
Public works:				
Streets and general maintenance	\$ 2,127,649	\$ 2,384,649	\$ 1,360,536	\$ 1,024,113
Refuse collection and disposal	154,723	154,723	166,291	(11,568)
Municipal building	46,785	46,785	46,675	110
Depot	16,000	16,000	9,725	6,275
TOOT	106,577	106,577	104,869	1,708
Total public works	\$ 2,451,734	\$ 2,708,734	\$ 1,688,096	\$ 1,020,638
Parks, recreation, and cultural:				
Parks and recreation	\$ 30,000	\$ 30,000	\$ 26,623	\$ 3,377
Total parks, recreation, and cultural	\$ 30,000	\$ 30,000	\$ 26,623	\$ 3,377

Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2017 (Continued)

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Community development:				
Planning and community development	\$ 117,521	\$ 117,521	\$ 120,146	\$ (2,625)
Total community development	\$ 117,521	\$ 117,521	\$ 120,146	\$ (2,625)
Nondepartmental:				
Insurance	\$ 35,596	\$ 35,596	\$ 44,997	\$ (9,401)
Revenue refunds	-	-	6,211	(6,211)
Contractual services	27,400	27,400	34,071	(6,671)
Bank service charges	15,000	15,000	12,868	2,132
Miscellaneous	5,000	5,000	1,452	3,548
Donations	115,300	115,300	114,700	600
Total nondepartmental	\$ 198,296	\$ 198,296	\$ 214,299	\$ (16,003)
Capital expenditures:				
Capital outlay	\$ 1,090,444	\$ 1,090,444	\$ 1,019,761	\$ 70,683
Debt service:				
Principal	\$ 167,402	\$ 167,402	\$ 167,402	\$ -
Interest	27,162	27,162	27,007	155
Total debt service	\$ 194,564	\$ 194,564	\$ 194,409	\$ 155
<b>Total General Fund</b>	<b>\$ 6,195,058</b>	<b>\$ 6,452,808</b>	<b>\$ 5,404,865</b>	<b>\$ 1,047,943</b>
<b>Capital Projects Fund:</b>				
General Capital projects expenditures:				
Capital projects expenditures	\$ -	\$ -	\$ 35,377	\$ (35,377)
<b>Total Capital Projects Fund</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 35,377</b>	<b>\$ (35,377)</b>
<b>Total Primary Government</b>	<b>\$ 6,195,058</b>	<b>\$ 6,452,808</b>	<b>\$ 5,440,242</b>	<b>\$ 1,012,566</b>

This page intentionally left blank

## Other Statistical Information

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities										
Net investment in capital assets	\$ 3,650,697	\$ 3,715,756	\$ 3,604,767	\$ 3,430,421	\$ 3,458,415	\$ 3,493,408	\$ 4,343,194	\$ 6,426,911	\$ 6,879,703	\$ 6,812,449
Restricted	5,195	2,380	2,387	2,392	134,670	110,059	110,273	110,491	110,688	108,489
Unrestricted	<u>2,567,533</u>	<u>2,654,441</u>	<u>2,883,587</u>	<u>2,992,024</u>	<u>2,940,650</u>	<u>3,807,987</u>	<u>3,262,813</u>	<u>1,886,857</u>	<u>1,552,399</u>	<u>1,298,911</u>
Total governmental activities net position	<u>\$ 6,223,425</u>	<u>\$ 6,372,577</u>	<u>\$ 6,490,741</u>	<u>\$ 6,424,837</u>	<u>\$ 6,533,735</u>	<u>\$ 7,411,454</u>	<u>\$ 7,716,280</u>	<u>\$ 8,424,259</u>	<u>\$ 8,542,790</u>	<u>\$ 8,219,849</u>
Business-type activities										
Net investment in capital assets	\$ 3,003,648	\$ 6,946,933	\$ 11,521,538	\$ 15,481,745	\$ 15,193,913	\$ 15,080,241	\$ 15,130,074	\$ 15,035,677	\$ 14,968,510	\$ 14,907,763
Restricted	-	-	-	-	68,639	-	-	-	-	-
Unrestricted	<u>4,442,193</u>	<u>4,368,814</u>	<u>4,029,344</u>	<u>1,535,331</u>	<u>886,604</u>	<u>248,257</u>	<u>692,690</u>	<u>175,815</u>	<u>75,741</u>	<u>(127,184)</u>
Total business-type activities net position	<u>\$ 7,445,841</u>	<u>\$ 11,315,747</u>	<u>\$ 15,550,882</u>	<u>\$ 17,017,076</u>	<u>\$ 16,149,156</u>	<u>\$ 15,328,498</u>	<u>\$ 15,822,764</u>	<u>\$ 15,211,492</u>	<u>\$ 15,044,251</u>	<u>\$ 14,780,579</u>
Primary government										
Net investment in capital assets	\$ 6,654,345	\$ 10,662,689	\$ 15,126,305	\$ 18,912,166	\$ 18,652,328	\$ 18,573,649	\$ 19,473,268	\$ 21,462,588	\$ 21,848,213	\$ 21,720,212
Restricted	5,195	2,380	2,387	2,392	203,309	110,059	110,273	110,491	110,688	108,489
Unrestricted	<u>7,009,726</u>	<u>7,023,255</u>	<u>6,912,931</u>	<u>4,527,355</u>	<u>3,827,254</u>	<u>4,056,244</u>	<u>3,955,503</u>	<u>2,062,672</u>	<u>1,628,140</u>	<u>1,171,727</u>
Total primary government net position	<u>\$ 13,669,266</u>	<u>\$ 17,688,324</u>	<u>\$ 22,041,623</u>	<u>\$ 23,441,913</u>	<u>\$ 22,682,891</u>	<u>\$ 22,739,952</u>	<u>\$ 23,539,044</u>	<u>\$ 23,635,751</u>	<u>\$ 23,587,041</u>	<u>\$ 23,000,428</u>

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Expenses</b>										
Governmental activities:										
General government administration	\$ 802,974	\$ 744,923	\$ 822,347	\$ 854,434	\$ 898,399	\$ 775,161	\$ 854,920	\$ 856,706	\$ 979,006	\$ 875,454
Public safety	1,225,816	1,268,803	1,248,816	1,275,689	1,377,427	1,455,083	1,510,652	1,552,517	1,639,762	1,527,727
Public works	1,816,378	1,435,223	1,980,259	1,834,837	1,905,767	1,699,846	1,736,332	2,228,490	1,979,808	2,653,300
Parks, recreation and cultural	146,267	139,744	132,620	57,976	60,559	71,913	52,195	58,421	50,109	47,917
Community development	240,018	489,958	176,336	243,143	207,866	237,908	221,693	246,980	343,595	355,813
Interest on long-term debt	79,172	81,199	78,545	75,574	71,701	67,167	14,114	61,723	56,142	51,715
Total governmental activities expenses	\$ 4,310,625	\$ 4,159,850	\$ 4,438,923	\$ 4,341,653	\$ 4,521,719	\$ 4,307,078	\$ 4,389,906	\$ 5,004,837	\$ 5,048,422	\$ 5,511,926
Business-type activities:										
Water	\$ 1,407,998	\$ 1,478,137	\$ 1,419,246	\$ 1,406,518	\$ 1,540,247	\$ 1,564,437	\$ 1,449,285	\$ 1,561,035	\$ 1,414,969	\$ 1,511,899
Sewer	863,808	909,880	942,559	1,139,978	1,735,986	1,795,538	1,961,749	1,823,607	1,869,725	1,837,446
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	\$ 2,344,208	\$ 2,553,088	\$ 2,508,224	\$ 2,693,679	\$ 3,423,013	\$ 3,359,975	\$ 3,411,034	\$ 3,384,642	\$ 3,284,694	\$ 3,349,345
Total primary government expenses	\$ 6,654,833	\$ 6,712,938	\$ 6,947,147	\$ 7,035,332	\$ 7,944,732	\$ 7,667,053	\$ 7,800,940	\$ 8,389,479	\$ 8,333,116	\$ 8,861,271
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government administration	\$ 95,049	\$ -	\$ -	\$ 286,452	\$ 291,948	\$ 298,030	\$ 303,288	\$ 309,120	\$ 315,072	\$ 317,016
Public safety	-	73,006	84,822	122,852	75,808	58,887	85,679	66,913	62,056	84,083
Public works	417,342	77,053	51,414	37,323	50,475	103,681	107,498	94,358	82,964	172,940
Parks, recreation and cultural	1,350	-	-	-	-	-	-	-	-	-
Community development	7,866	18,385	-	-	5,858	5,401	811	3,300	2,430	1,775
Operating grants and contributions	931,222	960,713	918,172	964,445	863,290	895,487	970,366	1,551,123	1,074,655	1,257,792
Capital grants and contributions	-	-	-	-	223,805	11,164	413,670	1,394,645	335,279	-
Total governmental activities program revenues	\$ 1,452,829	\$ 1,129,157	\$ 1,054,408	\$ 1,411,072	\$ 1,511,184	\$ 1,372,650	\$ 1,881,312	\$ 3,419,459	\$ 1,872,456	\$ 1,833,606
Business-type activities:										
Charges for services:										
Water	\$ 1,242,240	\$ 1,173,876	\$ 1,177,263	\$ 1,287,521	\$ 1,152,332	\$ 1,372,441	\$ 1,282,238	\$ 1,298,513	\$ 1,313,480	\$ 1,174,447
Sewer	1,243,119	1,068,536	1,054,408	1,286,043	1,261,087	1,406,808	1,613,061	1,632,961	1,640,701	1,640,330
Capital grants and contributions	497,616	3,829,383	4,330,716	1,436,119	20,265	196,023	34,505	7,500	71,149	207,644
Total business-type activities program revenues	\$ 2,982,975	\$ 6,071,795	\$ 6,562,387	\$ 4,009,683	\$ 2,433,684	\$ 2,975,272	\$ 2,929,804	\$ 2,938,974	\$ 3,025,330	\$ 3,022,421
Total primary government program revenues	\$ 4,435,804	\$ 7,200,952	\$ 7,616,795	\$ 5,420,755	\$ 3,944,868	\$ 4,347,922	\$ 4,811,116	\$ 6,358,433	\$ 4,897,786	\$ 4,856,027
Net (expense) / revenue										
Governmental activities	\$ (2,857,796)	\$ (3,030,693)	\$ (3,384,515)	\$ (2,930,581)	\$ (3,010,535)	\$ (2,934,428)	\$ (2,508,594)	\$ (1,585,378)	\$ (3,175,966)	\$ (3,678,320)
Business-type activities	638,767	3,518,707	4,054,163	1,316,004	(989,329)	(384,703)	(481,230)	(445,668)	(259,364)	(326,924)
Total primary government net (expense)/revenue	\$ (2,219,029)	\$ 488,014	\$ 669,648	\$ (1,614,577)	\$ (3,999,864)	\$ (3,319,131)	\$ (2,989,824)	\$ (2,031,046)	\$ (3,435,330)	\$ (4,005,244)

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes:										
Property taxes	\$ 712,551	\$ 659,583	\$ 606,021	\$ 684,066	\$ 668,032	\$ 741,887	\$ 689,485	\$ 759,925	\$ 728,639	\$ 878,002
Local sales and use taxes	154,417	293,023	294,143	312,332	321,262	345,208	355,692	241,507	197,533	225,086
Restaurant food taxes	951,511	942,870	908,810	940,940	1,007,295	1,058,059	1,032,790	1,096,455	1,152,548	1,164,425
Consumers' utility taxes	252,661	240,838	231,703	234,575	230,107	226,271	233,804	233,334	239,301	219,739
Other local taxes	390,711	384,964	424,856	478,793	474,172	468,037	533,451	639,211	525,518	500,846
Unrestricted grants and contributions	345,479	308,846	420,978	410,036	409,005	414,664	411,818	138,536	304,340	308,556
Unrestricted revenues from use of money and property	36,662	9,348	11,140	12,449	8,764	17,034	12,138	11,422	19,514	11,622
Miscellaneous	319,118	339,873	348,806	19,484	10,334	24,881	32,723	24,998	127,104	12,977
Gain (loss) on the disposal of assets	(3,445)	500	9,554	18,670	23,249	9,748	17,877	63,219	-	34,126
Transfers	13,541	-	-	-	-	506,358	(506,358)	-	-	-
<b>Total governmental activities</b>	<b>\$ 3,173,206</b>	<b>\$ 3,179,845</b>	<b>\$ 3,256,011</b>	<b>\$ 3,111,345</b>	<b>\$ 3,152,220</b>	<b>\$ 3,812,147</b>	<b>\$ 2,813,420</b>	<b>\$ 3,208,607</b>	<b>\$ 3,294,497</b>	<b>\$ 3,355,379</b>
Business-type activities:										
Unrestricted revenues from use of money and property	\$ 69,901	\$ 6,903	\$ 13,247	\$ 6,914	\$ 1,893	\$ 2,632	\$ 1,519	\$ 1,572	\$ 1,688	\$ 1,618
Miscellaneous	-	144,842	155,390	143,276	55,554	67,771	172,761	149,277	90,435	61,634
Transfers	(13,541)	-	-	-	-	(506,358)	506,358	-	-	-
<b>Total business-type activities</b>	<b>\$ 56,360</b>	<b>\$ 151,745</b>	<b>\$ 168,637</b>	<b>\$ 150,190</b>	<b>\$ 57,447</b>	<b>\$ (435,955)</b>	<b>\$ 680,638</b>	<b>\$ 150,849</b>	<b>\$ 92,123</b>	<b>\$ 63,252</b>
<b>Total primary government</b>	<b>\$ 3,229,566</b>	<b>\$ 3,331,590</b>	<b>\$ 3,424,648</b>	<b>\$ 3,261,535</b>	<b>\$ 3,209,667</b>	<b>\$ 3,376,192</b>	<b>\$ 3,494,058</b>	<b>\$ 3,359,456</b>	<b>\$ 3,386,620</b>	<b>\$ 3,418,631</b>
<b>Change in Net Position</b>										
Governmental activities	\$ 315,410	\$ 149,152	\$ (128,504)	\$ 180,764	\$ 141,685	\$ 877,719	\$ 304,826	\$ 1,623,229	\$ 118,531	\$ (322,941)
Business-type activities	695,127	3,670,452	4,222,800	1,466,194	(931,882)	(820,658)	199,408	(294,819)	(167,241)	(263,672)
<b>Total primary government</b>	<b>\$ 1,010,537</b>	<b>\$ 3,819,604</b>	<b>\$ 4,094,296</b>	<b>\$ 1,646,958</b>	<b>\$ (790,197)</b>	<b>\$ 57,061</b>	<b>\$ 504,234</b>	<b>\$ 1,328,410</b>	<b>\$ (48,710)</b>	<b>\$ (586,613)</b>



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

Fiscal Year	Property Tax	Local Sales and Use Tax	Consumers' Utility Tax	Restaurant Food Tax	Other Local Taxes	Total
2017	\$ 878,002	\$ 225,086	\$ 219,739	\$ 1,164,425	\$ 500,846	\$ 2,988,098
2016	729,128	197,533	239,301	1,152,548	525,518	2,844,028
2015	759,925	241,507	233,334	1,096,455	463,045	2,794,266
2014	689,485	355,692	233,804	1,032,790	533,451	2,845,222
2013	741,887	345,208	226,271	1,058,059	468,037	2,839,462
2012	668,032	321,262	230,107	1,007,295	474,172	2,700,868
2011	684,066	312,332	234,575	940,940	478,793	2,650,706
2010	606,021	294,143	231,703	908,810	424,856	2,465,533
2009	659,583	293,023	240,383	942,870	384,964	2,520,823
2008	712,551	154,417	252,661	951,511	390,711	2,461,851
2007	712,492	168,033	341,876	921,917	299,896	2,444,214

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

	2008	2009	2010	2011 (1)	2012	2013	2014	2015	2016	2017
General fund										
Reserved	\$ 5,195	\$ 2,380	\$ 2,387							
Unreserved	<u>2,234,871</u>	<u>2,499,751</u>	<u>2,539,564</u>							
Total general fund	<u>\$ 2,240,066</u>	<u>\$ 2,502,131</u>	<u>\$ 2,541,951</u>							
All other governmental funds										
Unreserved, reported in:										
Taylor park fund	\$ 106,657	\$ 106,239	\$ 106,692							
Capital projects funds	<u>209,675</u>	<u>38,120</u>	<u>53,727</u>							
Total all other governmental funds	<u>\$ 316,332</u>	<u>\$ 144,359</u>	<u>\$ 160,419</u>							
Total fund balance, governmental funds	<u>\$ 2,556,398</u>	<u>\$ 2,646,490</u>	<u>\$ 2,702,370</u>							
General fund										
Nonspendable				\$ 21,387	\$ -	\$ -	\$ 34,623	\$ 9,862	\$ 14,294	\$ 37,151
Restricted				2,392	27,392	2,392	2,392	2,392	2,392	-
Unassigned				<u>2,899,043</u>	<u>2,972,253</u>	<u>3,863,499</u>	<u>3,362,635</u>	<u>2,823,770</u>	<u>2,933,891</u>	<u>2,707,406</u>
Total general fund				<u>\$ 2,922,822</u>	<u>\$ 2,999,645</u>	<u>\$ 3,865,891</u>	<u>\$ 3,399,650</u>	<u>\$ 2,836,024</u>	<u>\$ 2,950,577</u>	<u>\$ 2,744,557</u>
All other governmental funds										
Restricted										
Taylor park fund				\$ 107,089	\$ 107,278	\$ 107,667	\$ 107,881	\$ 108,099	\$ 108,296	\$ 108,489
Assigned										
Capital projects fund				70,507	133,804	124,313	119,093	98,029	-	-
Unassigned										
Capital projects fund				-	-	-	-	-	(5,573)	(33,032)
Total all other governmental funds				<u>\$ 177,596</u>	<u>\$ 241,082</u>	<u>\$ 231,980</u>	<u>\$ 226,974</u>	<u>\$ 206,128</u>	<u>\$ 102,723</u>	<u>\$ 75,457</u>
Total fund balance, governmental funds				<u>\$ 3,100,418</u>	<u>\$ 3,240,727</u>	<u>\$ 4,097,871</u>	<u>\$ 3,626,624</u>	<u>\$ 3,042,152</u>	<u>\$ 3,053,300</u>	<u>\$ 2,820,014</u>

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

## Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Revenues</b>										
General property taxes	\$ 662,053	\$ 667,271	\$ 643,848	\$ 701,614	\$ 660,003	\$ 723,149	\$ 738,725	\$ 731,855	\$ 729,128	\$ 836,044
Other local taxes	1,749,300	1,861,695	1,859,512	1,966,640	2,032,836	2,097,575	2,155,737	2,034,341	2,114,900	2,110,096
Permits, privilege fees and regulatory licenses	7,865	1,776	2,539	4,800	5,868	5,401	811	3,300	2,430	1,775
Fines and forfeitures	84,232	73,006	60,235	100,414	75,798	58,887	85,679	66,913	62,056	84,083
Revenue from use of money and property	36,662	9,348	11,140	12,449	8,764	17,034	11,658	11,422	10,079	11,622
Charges for services	88,479	93,662	73,462	54,961	50,475	103,681	107,498	94,358	82,964	172,940
Miscellaneous	346,343	12,873	36,982	38,154	33,583	34,629	50,600	32,952	148,468	47,104
Recovered costs	5,500	72,657	19,699	21,052	3,042	11,448	13,723	149,332	23,758	59,928
Revenue from internal sources	326,368	327,500	346,824	286,452	291,948	298,030	303,288	309,120	315,072	317,016
Intergovernmental revenues:										
Commonwealth	1,276,351	1,264,973	1,333,411	1,318,560	1,388,593	1,317,347	1,686,080	1,865,825	1,374,592	1,566,348
Federal	350	4,586	5,739	55,921	107,507	3,968	-	1,394,645	339,682	-
<b>Total revenues</b>	<b>\$ 4,583,503</b>	<b>\$ 4,389,347</b>	<b>\$ 4,393,391</b>	<b>\$ 4,561,017</b>	<b>\$ 4,658,417</b>	<b>\$ 4,671,149</b>	<b>\$ 5,153,799</b>	<b>\$ 6,694,063</b>	<b>\$ 5,203,129</b>	<b>\$ 5,206,956</b>
<b>Expenditures</b>										
General government administration	\$ 557,693	\$ 557,352	\$ 618,538	\$ 602,329	\$ 627,534	\$ 627,697	\$ 652,017	\$ 675,657	\$ 759,721	\$ 687,550
Public safety	1,139,981	1,196,117	1,206,536	1,224,128	1,369,728	1,370,094	1,421,949	1,485,085	1,394,255	1,453,981
Public works	1,449,599	1,557,462	1,776,665	1,642,227	1,712,926	1,658,561	1,802,964	2,040,264	1,629,591	1,688,096
Parks, recreation and cultural	122,108	126,553	121,539	22,832	23,033	27,856	22,495	28,721	21,629	26,623
Community development	240,385	150,412	174,421	157,175	124,330	119,154	133,579	160,680	110,555	120,146
Non-departmental	86,478	98,361	64,283	197,841	160,793	186,764	181,148	202,871	213,362	214,299
Capital projects	484,004	443,904	206,711	148,112	361,531	277,418	729,606	2,553,360	870,320	1,055,138
Debt service										
Principal	86,922	89,300	91,650	94,000	115,887	118,237	147,425	233,598	162,127	167,402
Interest and other fiscal charges	82,448	79,793	77,168	74,325	70,824	66,817	27,077	33,299	30,421	27,007
<b>Total expenditures</b>	<b>\$ 4,249,618</b>	<b>\$ 4,299,254</b>	<b>\$ 4,337,511</b>	<b>\$ 4,162,969</b>	<b>\$ 4,566,586</b>	<b>\$ 4,452,598</b>	<b>\$ 5,118,260</b>	<b>\$ 7,413,535</b>	<b>\$ 5,191,981</b>	<b>\$ 5,440,242</b>
<b>Excess of revenues over (under) expenditures</b>	<b>\$ 333,885</b>	<b>\$ 90,093</b>	<b>\$ 55,880</b>	<b>\$ 398,048</b>	<b>\$ 91,831</b>	<b>\$ 218,551</b>	<b>\$ 35,539</b>	<b>\$ (719,472)</b>	<b>\$ 11,148</b>	<b>\$ (233,286)</b>
<b>Other financing sources (uses)</b>										
Transfers in	\$ 13,541	\$ -	\$ 7	\$ 5	\$ -	\$ 506,358	\$ (506,358)	\$ -	\$ -	\$ -
Transfers out	-	-	(7)	(5)	-	-	-	-	-	-
Issuance of capital leases	-	-	-	-	48,478	132,235	-	135,000	-	-
Issuance of refunding bond	-	-	-	-	-	-	1,445,250	-	-	-
Payment to bond escrow agent	-	-	-	-	-	-	(1,440,672)	-	-	-
<b>Total other financing sources (uses)</b>	<b>\$ 13,541</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 48,478</b>	<b>\$ 638,593</b>	<b>\$ (501,780)</b>	<b>\$ 135,000</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net change in fund balances</b>	<b>347,426</b>	<b>90,093</b>	<b>55,880</b>	<b>398,048</b>	<b>140,309</b>	<b>857,144</b>	<b>(466,241)</b>	<b>(584,472)</b>	<b>11,148</b>	<b>(233,286)</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>4.83%</b>	<b>4.71%</b>	<b>4.33%</b>	<b>4.61%</b>	<b>4.84%</b>	<b>4.87%</b>	<b>4.33%</b>	<b>6.08%</b>	<b>4.92%</b>	<b>4.89%</b>

TOWN OF ORANGE, VIRGINIA

General Governmental Revenues by Source (1) (2)

Last Ten Fiscal Years

*(modified accrual basis of accounting)*

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege fees, and Regulatory Licenses	Fines and Forfeitures	Revenue from Use of Money and Property
2017	\$ 836,044	\$ 2,110,096	\$ 1,775	\$ 84,083	\$ 11,622
2016	729,128	2,114,900	2,430	62,056	10,079
2015	731,855	2,034,341	3,300	66,913	11,422
2014	738,725	2,155,737	811	85,679	11,658
2013	723,149	2,097,575	5,401	58,887	16,531
2012	660,003	2,032,836	5,868	75,798	8,659
2011	701,614	1,966,640	4,800	100,414	12,230
2010	643,848	1,859,512	2,539	60,235	10,945
2009	667,271	1,861,695	1,776	73,006	9,094
2008	662,053	1,749,300	7,865	84,232	35,962

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
\$	172,940	\$ 59,928	\$ 47,104	\$ 1,566,348	\$ 4,889,940
	82,964	23,758	148,468	1,714,274	4,888,057
	94,358	149,332	32,952	3,260,470	6,384,943
	107,498	13,723	353,888	1,686,080	5,153,799
	103,681	11,448	332,659	1,265,947	4,615,278
	50,475	3,042	325,531	1,358,180	4,520,392
	54,961	21,052	316,997	1,307,234	4,485,942
	73,462	19,699	383,806	1,269,557	4,323,603
	93,662	72,657	340,060	1,180,666	4,299,887
	88,479	-	27,225	1,188,868	3,843,984

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
2017	\$ 362,361,500	\$ 35,671,613	\$ 17,808,609	\$ 415,841,722	415,841,722	100.00%
2016	358,356,090	34,424,008	17,186,324	409,966,422	409,966,422	100.00%
2015	361,646,400	34,309,280	13,566,760	409,522,440	409,522,440	100.00%
2014	360,126,565	34,591,100	15,323,152	410,040,817	410,040,817	100.00%
2013	356,685,550	36,261,468	15,012,840	407,959,858	407,959,858	100.00%
2012	405,790,650	33,585,596	14,945,558	454,321,804	454,321,804	100.00%
2011	455,413,450	33,306,877	15,242,650	503,962,977	503,962,977	100.00%
2010	454,299,450	27,498,838	15,305,972	497,104,260	497,104,260	100.00%
2009	453,115,000	43,436,588	14,687,687	511,239,275	511,239,275	100.00%
2008	450,501,300	42,994,779	17,362,511	510,858,590	510,858,590	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
2017	\$ .155/.175	\$ 0.830	\$ 0.066	\$ .155/.830	\$ 0.155
2016	.155/.155	0.830	0.066	.155/.830	0.155
2015	.155/.155	0.830	0.066	.155/.830	0.155
2014	.155/.155	0.830	0.066	.155/.830	0.155
2013	.145/.155	0.830	0.066	.145/.830	0.145
2012	.114/.145	0.830	0.066	.114/.830	0.114
2011	.114/.114	0.830	0.066	.114/.830	0.114
2010	.114/.114	0.600	0.066	.114/.600	0.114
2009	.114/.114	0.600	0.066	.114/.600	0.114
2008	.114/.114	0.600	0.066	.114/.600	0.114

(1) Per \$100 of assessed value

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

Fiscal Year	Population	Assessed Value (In Thousands) (2)	Gross General Obligation Debt (1)	Debt Payable from Enterprise Revenues (1)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value (2)	Net Bonded Debt per Capita
2017	4,988	\$ 415,842	\$ 4,074,999	\$ 2,911,749	\$ 1,163,250	0.28%	\$ 233
2016	4,947	\$ 409,966	\$ 4,429,999	\$ 3,132,799	\$ 1,297,200	0.32%	\$ 262
2015	4,902	409,522	4,774,999	3,348,549	1,426,450	0.35%	291
2014	4,855	410,041	5,115,000	3,561,650	1,553,350	0.38%	320
2013	4,813	407,960	5,183,537	3,623,387	1,560,150	0.38%	324
2012	4,776	454,322	5,425,169	3,763,969	1,661,200	0.37%	348
2011	4,730	503,963	5,660,721	3,900,821	1,759,900	0.35%	372
2010	4,674	497,104	5,885,238	4,031,338	1,853,900	0.37%	397
2009	4,636	511,239	9,089,854	7,144,304	1,945,550	0.38%	420
2008	4,566	510,859	9,604,632	7,569,782	2,034,850	0.40%	446

(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
2016-17	\$ 873,536	\$ 845,956	96.84%	\$ 6,973	\$ 852,929	97.64%	\$ 64,014	7.33%
2015-16	822,344	796,864	96.90%	25,754	822,618	100.03%	22,286	2.71%
2014-15	823,502	810,895	98.47%	10,576	821,471	99.75%	24,404	2.96%
2013-14	825,977	778,024	94.19%	43,976	822,000	99.52%	23,428	2.84%
2012-13	817,562	755,728	92.44%	20,756	776,484	94.98%	58,720	7.18%
2011-12	770,459	744,245	96.60%	33,663	777,908	100.97%	44,549	5.78%
2010-11	768,695	765,066	99.53%	26,163	791,229	102.93%	60,543	7.88%
2009-10	706,081	706,070	100.00%	27,393	733,463	103.88%	86,706	12.28%
2008-09	722,001	717,996	99.45%	38,890	756,886	104.83%	90,594	12.55%
2007-08	741,438	685,776	92.49%	32,662	718,438	96.90%	22,868	3.08%

(1) Includes Commonwealth's PPTRA reimbursement

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

This page intentionally left blank

## Compliance

This page intentionally left blank

# 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, 2017, and the related notes to the financial statements, which collectively comprise Town of Orange, Virginia's basic financial statements, and have issued our report thereon dated November 13, 2017.

### 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.



Charlottesville, Virginia

November 13, 2017