

Town of Orange, Virginia



*Financial Report
Year Ended June 30, 2015*

TOWN OF ORANGE, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015

TOWN OF ORANGE, VIRGINIA

DIRECTORY OF OFFICIALS

COUNCIL

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

OFFICIALS

Greg Woods
Greg Woods
Wendy J. Chewning

Town Manager
Director of Finance
Town Clerk

TOWN OF ORANGE, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Town of Orange, Virginia, as of and for the year ended June 30, 2015, 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, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 13 to the financial statements, in 2015, the Town adopted new accounting guidance, GASB Statement Nos. 68 *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding, on pages 4-9, 61 and 62-65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town of Orange, Virginia's basic financial statements. The supporting schedules and other statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The supporting schedules and the schedule of expenditures of federal awards 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 and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information (Continued)

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2015, on our consideration of Town of Orange, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Orange, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia

November 30, 2015

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Management's Discussion and Analysis

As management of Town of Orange (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2015. Please read it in conjunction with the Town's basic financial statements, which follow this section.

Financial Highlights

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$23.6 million (*net position*). Of this amount, \$2.1 million (*unrestricted net position*) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$1,328,410, of which the governmental activities accounted for an increase of \$1,623,229 and business-type activities accounted for a decrease of \$294,819.
- The total ending fund balance for the Town's governmental funds is \$3.0 million, a decrease of \$584,472 over the prior year. This ending fund balance of the general fund was \$2.8 million and is equal to 39% of the Town's fiscal year 2015 general fund expenditures.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2.8 million, or 58% of general fund expenditures less any capital outlay projects funded with bond proceeds.

Overview of the Financial Statements

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

Government-wide financial statements

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

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

Overview of the Financial Statements: (Continued)

Government-wide financial statements: (Continued)

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

Fund financial statements

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

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

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

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

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

Notes to financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20 through 60 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 61-65 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 exceeded liabilities and deferred inflows of resources by \$23.6 million at the close of the most recent fiscal year. A large portion of the Town's net position (\$21.5 million, 91% 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 Town implemented Statement of Governmental Accounting Standards (GASB Statement) Nos. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27 and 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68. Accordingly, the net pension liability and related information are reported on the statement of net position along with a more comprehensive measure of pension expense and enhanced note disclosures and required supplementary information. The Town's net pension liability was \$739,092 and \$255,545 reported in the governmental activities and business-type activities, respectively.

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

Town of Orange, Virginia
Summary of Net Position
As of June 30, 2015

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 3,722,643	\$ 4,132,835	\$ 693,935	\$ 922,348	\$ 4,416,578	\$ 5,055,183
Capital assets	7,909,400	5,908,870	31,715,466	32,650,003	39,624,866	38,558,873
Total assets	\$ 11,632,043	\$ 10,041,705	\$ 32,409,401	\$ 33,572,351	\$ 44,041,444	\$ 43,614,056
Deferred outflows of resources	\$ 284,617	\$ 94,372	\$ 69,439	\$ -	\$ 354,056	\$ 94,372
Long-term liabilities						
outstanding	\$ 2,556,060	\$ 1,898,658	\$ 17,036,505	\$ 17,614,006	\$ 19,592,565	\$ 19,512,664
Other liabilities	372,579	210,269	142,504	135,581	515,083	345,850
Total liabilities	\$ 2,928,639	\$ 2,108,927	\$ 17,179,009	\$ 17,749,587	\$ 20,107,648	\$ 19,858,514
Deferred inflows of resources	\$ 563,762	\$ 310,870	\$ 88,339	\$ -	\$ 652,101	\$ 310,870
Net investment in capital assets	\$ 6,426,911	\$ 4,343,194	\$ 15,035,677	\$ 15,130,074	\$ 21,462,588	\$ 19,473,268
Restricted	110,491	110,273	-	-	110,491	110,273
Unrestricted	1,886,857	3,262,813	175,815	692,690	2,062,672	3,955,503
Total net position	\$ 8,424,259	\$ 7,716,280	\$ 15,211,492	\$ 15,822,764	\$ 23,635,751	\$ 23,539,044

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

As noted previously, the Town's overall (government and business-type activities) net position increased by \$1,328,410 during the current fiscal year. The overall increase is attributed to an increase in operating and capital grant revenues in the governmental funds.

Government-wide Financial Analysis: (Continued)

Governmental activities increased the Town's net position by \$1,623,229. The following table summarizes the Town's Statement of Activities:

Town of Orange, Virginia
Changes in Net Position
As of June 30, 2015

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 473,691	\$ 497,276	\$ 2,931,474	\$ 2,895,299	\$ 3,405,165	\$ 3,392,575
Operating grants and contributions	1,551,123	1,073,398	-	-	1,551,123	1,073,398
Capital grants and contributions	1,394,645	413,670	7,500	34,505	1,402,145	448,175
General revenues:						
Property taxes	759,925	689,485	-	-	759,925	689,485
Other taxes	2,034,341	2,155,737	-	-	2,034,341	2,155,737
Unrestricted revenues from the use of money and property	11,422	12,138	1,572	1,519	12,994	13,657
Miscellaneous	24,998	32,723	149,277	172,761	174,275	205,484
Grants and contributions not restricted to specific programs	314,702	308,786	-	-	314,702	308,786
Gain on sale of surplus property	63,219	17,877	-	-	63,219	17,877
Total revenues	\$ 6,628,066	\$ 5,201,090	\$ 3,089,823	\$ 3,104,084	\$ 9,717,889	\$ 8,305,174
Expenses:						
General government administration	\$ 856,706	\$ 854,920	\$ -	\$ -	\$ 856,706	\$ 854,920
Public safety	1,552,517	1,510,652	-	-	1,552,517	1,510,652
Public works	2,228,490	1,736,332	-	-	2,228,490	1,736,332
Parks, recreation and culture	58,421	52,195	-	-	58,421	52,195
Community development	246,980	221,693	-	-	246,980	221,693
Interest on long-term obligations	61,723	14,114	-	-	61,723	14,114
Water fund	-	-	1,561,035	1,449,285	1,561,035	1,449,285
Sewer fund	-	-	1,823,607	1,961,749	1,823,607	1,961,749
Total expenses	\$ 5,004,837	\$ 4,389,906	\$ 3,384,642	\$ 3,411,034	\$ 8,389,479	\$ 7,800,940
Increase (decrease) in net position before transfers and capital contributions	\$ 1,623,229	\$ 811,184	\$ (294,819)	\$ (306,950)	\$ 1,328,410	\$ 504,234
Transfers	\$ -	\$ (506,358)	\$ -	\$ 506,358	\$ -	\$ -
Increase (decrease) in net position	\$ 1,623,229	\$ 304,826	\$ (294,819)	\$ 199,408	\$ 1,328,410	\$ 504,234
Net position - beginning of year, as restated	\$ 6,801,030	\$ 7,411,454	\$ 15,506,311	\$ 15,623,356	\$ 22,307,341	\$ 23,034,810
Net position - end of year	\$ 8,424,259	\$ 7,716,280	\$ 15,211,492	\$ 15,822,764	\$ 23,635,751	\$ 23,539,044

Business-type activities decreased the Town's net position by \$294,819. Similar to how changes arise in the governmental activities, business-type activities also experience budgetary differences; however, as a public utility function comprises the Town's business-type activities there is more of a direct correlation to the revenues generated relative to the expenses incurred because of service demands.

In fiscal year 2013, the Town transferred funds from business-type activities to governmental activities. This money was returned to business-type activities in fiscal year 2014. This has led to changes in the increase (decrease) of each activity's net position in those fiscal years.

Financial Analysis of the Town's Funds

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

Government Fund: The focus of the Town's governmental fund is to provide information on near-term inflows, outflows, and the balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular 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 2015, the General Fund's operating expenditures exceeded revenues by \$698,626.

At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,823,770 while the restricted fund balance was \$2,392. The fund balance restriction represents unspent proceeds from Asset Forfeiture of \$2,392. Nonspendable fund balance was \$9,862 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 \$175,815. The total net position decreased by \$294,819 from the prior year.

General Fund Budgetary Highlights

During the fiscal year, the Town's actual revenue was under budget by \$605,598 with the shortage generated by miscellaneous revenue. Expenditures were over budget by \$93,028.

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, 2015, amounts to \$39.6 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and machinery and equipment as well as construction in progress.

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

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 882,289	\$ 882,289	\$ 248,292	\$ 248,292	\$ 1,130,581	\$ 1,130,581
Wastewater treatment plant	-	-	22,230,157	22,713,421	22,230,157	22,713,421
Buildings	2,183,653	2,213,923	2,362,089	2,510,510	4,545,742	4,724,433
Equipment and improvements	498,695	408,068	3,972,659	4,189,137	4,471,354	4,597,205
Road systems	2,134,718	2,271,756	-	-	2,134,718	2,271,756
Water storage facility	-	-	2,902,269	2,988,643	2,902,269	2,988,643
Construction in progress	2,210,045	132,834	-	-	2,210,045	132,834
Total	\$ 7,909,400	\$ 5,908,870	\$ 31,715,466	\$ 32,650,003	\$ 39,624,866	\$ 38,558,873

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 \$18.6 million and details are summarized in the following table:

Town of Orange, Virginia Outstanding Obligations For the Year Ended June 30, 2015						
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Bonds Payable:						
General obligation bonds	\$ 1,426,450	\$ 1,553,350	\$ 3,348,549	\$ 3,561,649	\$ 4,774,999	\$ 5,114,999
Revenue bonds	-	-	13,331,239	13,958,280	13,331,239	13,958,280
Capital lease	135,000	106,698	-	-	135,000	106,698
Net pension liability	739,092	-	255,545	-	994,637	-
Net OPEB obligation	137,475	110,292	39,525	31,708	177,000	142,000
Compensated absences	118,043	128,318	61,646	62,369	179,689	190,687
Total	<u>\$ 2,556,060</u>	<u>\$ 1,898,658</u>	<u>\$ 17,036,504</u>	<u>\$ 17,614,006</u>	<u>\$ 19,592,564</u>	<u>\$ 19,512,664</u>

Debt associated with governmental activities increased by \$657,402 while debt associated with business-type activities decreased by \$577,502.

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, 2015.

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

Economic Factors and Next Year's Budgets and Rates

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

Real estate assessments are conducted by the County of Orange every four years. Assessments were done in 2011 effective with tax year 2012 resulting in an equalization of rates from \$0.114 per \$100 of assessed value to \$0.145 per \$100 of assessed value. In 2014 real estate rates were increased from \$0.145 per \$100 assessed value to \$0.155 per \$100 of assessed value.

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

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

Requests for Information

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

Basic Financial Statements

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Government-wide Financial Statements

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Statement of Net Position

As of June 30, 2015

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,201,513	\$ 348,318	\$ 2,549,831
Receivables (net of allowance for uncollectibles):			
Taxes receivable	301,094	-	301,094
Other local receivables	106,548	-	106,548
Accounts receivable	-	411,863	411,863
Internal balances	160,000	(160,000)	-
Due from other governmental units	833,135	4,040	837,175
Prepaid items	9,862	15,659	25,521
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	110,491	74,055	184,546
Capital assets (net of accumulated depreciation):			
Land	882,289	248,292	1,130,581
Wastewater treatment plant	-	22,230,157	22,230,157
Buildings	2,183,653	2,362,089	4,545,742
Equipment and improvements	498,695	3,972,659	4,471,354
Water storage facility	-	2,902,269	2,902,269
Road systems	2,134,718	-	2,134,718
Construction in progress	2,210,045	-	2,210,045
Total assets	\$ 11,632,043	\$ 32,409,401	\$ 44,041,444
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	\$ 78,961	\$ -	\$ 78,961
Pension contributions after measurement date	205,656	69,439	275,095
Total deferred outflows of resources	\$ 284,617	\$ 69,439	\$ 354,056
LIABILITIES			
Accounts payable	\$ 337,397	\$ 33,748	\$ 371,145
Accrued liabilities	22,207	-	22,207
Accrued interest payable	12,975	34,701	47,676
Deposits held	-	74,055	74,055
Long-term liabilities:			
Due within one year	173,931	872,219	1,046,150
Due in more than one year	2,382,129	16,164,286	18,546,415
Total liabilities	\$ 2,928,639	\$ 17,179,009	\$ 20,107,648
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue-property taxes	\$ 308,267	\$ -	\$ 308,267
Items related to measurement of net pension liability	255,495	88,339	343,834
Total deferred inflows of resources	\$ 563,762	\$ 88,339	\$ 652,101
NET POSITION			
Net investment in capital assets	\$ 6,426,911	\$ 15,035,677	\$ 21,462,588
Restricted for:			
Asset forfeiture	2,392	-	2,392
Taylor park fund	108,099	-	108,099
Unrestricted	1,886,857	175,815	2,062,672
Total net position	\$ 8,424,259	\$ 15,211,492	\$ 23,635,751

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, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 856,706	\$ 309,120	\$ -	\$ -
Public safety	1,552,517	66,913	168,576	-
Public works	2,228,490	94,358	1,377,547	1,394,645
Parks, recreation, and cultural	58,421	-	5,000	-
Community development	246,980	3,300	-	-
Interest on long-term debt	61,723	-	-	-
Total governmental activities	\$ 5,004,837	\$ 473,691	\$ 1,551,123	\$ 1,394,645
Business-type activities:				
Water	\$ 1,561,035	\$ 1,298,513	\$ -	\$ 7,500
Sewer	1,823,607	1,632,961	-	-
Total business-type activities	\$ 3,384,642	\$ 2,931,474	\$ -	\$ 7,500
Total primary government	\$ 8,389,479	\$ 3,405,165	\$ 1,551,123	\$ 1,402,145

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 on sale of surplus property

Total general revenues and transfers

Change in net position

Net position - beginning, as restated

Net position - ending

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (547,586)	\$ -	\$ (547,586)
(1,317,028)	-	(1,317,028)
638,060	-	638,060
(53,421)	-	(53,421)
(243,680)	-	(243,680)
(61,723)	-	(61,723)
<u>\$ (1,585,378)</u>	<u>\$ -</u>	<u>\$ (1,585,378)</u>
\$ -	\$ (255,022)	\$ (255,022)
<u>-</u>	<u>(190,646)</u>	<u>(190,646)</u>
<u>\$ -</u>	<u>\$ (445,668)</u>	<u>\$ (445,668)</u>
<u>\$ (1,585,378)</u>	<u>\$ (445,668)</u>	<u>\$ (2,031,046)</u>
\$ 759,925	\$ -	\$ 759,925
241,507	-	241,507
233,334	-	233,334
128,686	-	128,686
1,096,455	-	1,096,455
120,139	-	120,139
93,630	-	93,630
120,590	-	120,590
11,422	1,572	12,994
24,998	149,277	174,275
314,702	-	314,702
63,219	-	63,219
<u>\$ 3,208,607</u>	<u>\$ 150,849</u>	<u>\$ 3,359,456</u>
\$ 1,623,229	\$ (294,819)	\$ 1,328,410
<u>6,801,030</u>	<u>15,506,311</u>	<u>22,307,341</u>
<u>\$ 8,424,259</u>	<u>\$ 15,211,492</u>	<u>\$ 23,635,751</u>

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Fund Financial Statements

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Balance Sheet
Governmental Funds
As of June 30, 2015

	General	Taylor Park	Capital Projects	Total
ASSETS				
Cash and cash equivalents (Note 1)	\$ 2,102,257	\$ -	\$ 99,256	\$ 2,201,513
Receivables (net of allowance for uncollectibles):				
Taxes receivable (Note 1)	301,094	-	-	301,094
Other local revenues	106,548	-	-	106,548
Due from other funds	160,000	-	-	160,000
Due from other governmental units (Note 3)	832,535	-	600	833,135
Prepaid items	9,862	-	-	9,862
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents	2,392	108,099	-	110,491
Total assets	<u>\$ 3,514,688</u>	<u>\$ 108,099</u>	<u>\$ 99,856</u>	<u>\$ 3,722,643</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 335,570	\$ -	\$ 1,827	\$ 337,397
Accrued liabilities	22,207	-	-	22,207
Total liabilities	<u>\$ 357,777</u>	<u>\$ -</u>	<u>\$ 1,827</u>	<u>\$ 359,604</u>
Deferred inflows of resources:				
Unavailable revenue - property taxes	<u>\$ 320,887</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 320,887</u>
Fund balances:				
Nonspendable:				
Prepaid items	\$ 9,862	\$ -	\$ -	\$ 9,862
Restricted:				
Taylor Park fund	-	108,099	-	108,099
Asset forfeiture	2,392	-	-	2,392
Assigned:				
Capital projects	-	-	98,029	98,029
Unassigned	<u>2,823,770</u>	<u>-</u>	<u>-</u>	<u>2,823,770</u>
Total fund balances	<u>\$ 2,836,024</u>	<u>\$ 108,099</u>	<u>\$ 98,029</u>	<u>\$ 3,042,152</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 3,514,688</u>	<u>\$ 108,099</u>	<u>\$ 99,856</u>	<u>\$ 3,722,643</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, 2015

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	3,042,152	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			7,909,400
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.			
Unavailable revenue related to property taxes			12,620
Interest paid on long-term debt is not accrued in governmental funds, but rather is recognized when paid.			(12,975)
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.			205,656
Differences between expected and actual earnings on pension plan investments are recorded as deferred inflows and not reported in the funds.			(255,495)
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	\$	(1,426,450)	
Deferred charge on refunding		78,961	
Capital lease		(135,000)	
Compensated absences		(118,043)	
Net pension liability		(739,092)	
Net OPEB obligation		(137,475)	(2,477,099)
Net position of governmental activities	\$		<u><u>8,424,259</u></u>

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

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2015

	General	Taylor Park	Capital Projects	Total
REVENUES				
General property taxes	\$ 731,855	\$ -	\$ -	\$ 731,855
Other local taxes	2,034,341	-	-	2,034,341
Permits, privilege fees, and regulatory licenses	3,300	-	-	3,300
Fines and forfeitures	66,913	-	-	66,913
Revenue from the use of money and property	10,958	218	246	11,422
Charges for services	94,358	-	-	94,358
Miscellaneous	32,952	-	-	32,952
Recovered costs	149,332	-	-	149,332
Revenue from internal sources	309,120	-	-	309,120
Intergovernmental revenues:				
Commonwealth	1,808,775	-	57,050	1,865,825
Federal	1,394,645	-	-	1,394,645
Total revenues	\$ 6,636,549	\$ 218	\$ 57,296	\$ 6,694,063
EXPENDITURES				
Current:				
General government administration	\$ 675,657	\$ -	\$ -	\$ 675,657
Public safety	1,485,085	-	-	1,485,085
Public works	2,040,264	-	-	2,040,264
Parks, recreation, and cultural	28,721	-	-	28,721
Community development	160,680	-	-	160,680
Nondepartmental	202,871	-	-	202,871
Capital outlay	2,475,000	-	78,360	2,553,360
Debt service:				
Principal retirement	233,598	-	-	233,598
Interest and other fiscal charges	33,299	-	-	33,299
Total expenditures	\$ 7,335,175	\$ -	\$ 78,360	\$ 7,413,535
Excess (deficiency) of revenues over (under) expenditures	\$ (698,626)	\$ 218	\$ (21,064)	\$ (719,472)
OTHER FINANCING SOURCES (USES)				
Issuance of capital leases	\$ 135,000	\$ -	\$ -	\$ 135,000
Net change in fund balances	\$ (563,626)	\$ 218	\$ (21,064)	\$ (584,472)
Fund balances - beginning	3,399,650	107,881	119,093	3,626,624
Fund balances - ending	\$ 2,836,024	\$ 108,099	\$ 98,029	\$ 3,042,152

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, 2015

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

Net change in fund balances - total governmental funds	\$ (584,472)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Details supporting this adjustment are as follows:

Capital outlay	\$ 2,486,306	
Depreciation expense	(432,782)	
Disposal of capital assets	<u>(52,994)</u>	2,000,530

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	13,573
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. Details supporting this adjustment are as follows:

Principal retired on general obligation bonds	126,900	
Amortization of deferred charge on refunding	(15,411)	
Payments on capital lease	106,698	
Issuance of capital lease	<u>(135,000)</u>	83,187

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

(Increase)/decrease in compensated absences	10,275	
(Increase)/decrease in net OPEB obligation	(27,183)	
(Increase)/decrease in accrued interest payable	1,000	
Increase/(decrease) in pension contributions after measurement date	49,901	
(Increase)/decrease in net pension liability	331,913	
(Increase)/decrease in items related to measurement of net pension liability	<u>(255,495)</u>	110,411

Change in net position of governmental activities	\$ <u>1,623,229</u>
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The notes to financial statements are an integral part of this statement.

Statement of Net Position
Proprietary Funds
As of June 30, 2015

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 741,149	\$ -	\$ 741,149
Accounts receivable (net of allowances for uncollectibles)	163,117	248,746	411,863
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	74,055	-	74,055
Due from other governmental units	-	4,040	4,040
Prepaid items	5,014	10,645	15,659
Total current assets	\$ 983,335	\$ 263,431	\$ 1,246,766
Noncurrent assets:			
Capital assets (net of accumulated depreciation):			
Land	\$ 160,251	\$ 88,041	\$ 248,292
Waste water treatment plant	-	22,230,157	22,230,157
Buildings	633,476	1,728,613	2,362,089
Equipment and improvements	2,346,148	1,626,511	3,972,659
Water storage facility	2,902,269	-	2,902,269
Total capital assets, net	\$ 6,042,144	\$ 25,673,322	\$ 31,715,466
Total assets	\$ 7,025,479	\$ 25,936,753	\$ 32,962,232
DEFERRED OUTFLOWS OF RESOURCES			
Pension contributions after measurement date	\$ 31,518	\$ 37,921	\$ 69,439
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	\$ 20,983	\$ 12,765	\$ 33,748
Accrued interest payable	24,201	10,500	34,701
Bank overdraft payable	-	392,831	392,831
Deposits held	74,055	-	74,055
Compensated absences, current portion	2,814	3,351	6,165
Bonds payable, current portion	103,000	763,054	866,054
Total current liabilities	\$ 225,053	\$ 1,182,501	\$ 1,407,554
Noncurrent liabilities:			
Due to other funds	\$ 160,000	\$ -	\$ 160,000
Net pension liability	115,992	139,553	255,545
Net OPEB obligation	20,019	19,506	39,525
Compensated absences, net of current portion	25,322	30,159	55,481
Bonds payable, net of current portion	2,001,199	13,812,536	15,813,735
Total noncurrent liabilities	\$ 2,322,532	\$ 14,001,754	\$ 16,324,286
Total liabilities	\$ 2,547,585	\$ 15,184,255	\$ 17,731,840
DEFERRED INFLOWS OF RESOURCES			
Items related to measurement of net pension liability	\$ 40,097	\$ 48,242	\$ 88,339
NET POSITION			
Net investment in capital assets	\$ 3,937,945	\$ 11,097,732	\$ 15,035,677
Unrestricted	531,370	(355,555)	175,815
Total net position	\$ 4,469,315	\$ 10,742,177	\$ 15,211,492

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, 2015

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
OPERATING REVENUES			
Charges for services:			
Charges for services and connection fees	\$ 1,298,513	\$ 1,632,961	\$ 2,931,474
Miscellaneous	93,244	56,033	149,277
Total operating revenues	\$ 1,391,757	\$ 1,688,994	\$ 3,080,751
OPERATING EXPENSES			
Personal services	\$ 304,982	\$ 378,868	\$ 683,850
Fringe benefits	131,252	128,493	259,745
Contractual services/maintenance	58,858	46,808	105,666
Materials and supplies	324,807	265,165	589,972
Utilities	139,780	129,509	269,289
Internal services	245,569	140,832	386,401
Other charges	7,687	11,780	19,467
Depreciation	288,463	669,408	957,871
Total operating expenses	\$ 1,501,398	\$ 1,770,863	\$ 3,272,261
Operating income (loss)	\$ (109,641)	\$ (81,869)	\$ (191,510)
NONOPERATING REVENUES (EXPENSES)			
Interest earned	\$ 1,572	\$ -	\$ 1,572
Interest and fiscal charges	(59,637)	(52,744)	(112,381)
Total nonoperating revenues (expenses)	\$ (58,065)	\$ (52,744)	\$ (110,809)
Income (loss) before capital contributions, grants, and transfers	\$ (167,706)	\$ (134,613)	\$ (302,319)
Capital contributions and grants	\$ 7,500	\$ -	\$ 7,500
Change in net position	\$ (160,206)	\$ (134,613)	\$ (294,819)
Net Position at Beginning of Year, as restated	4,629,521	10,876,790	15,506,311
Net Position at End of Year	\$ 4,469,315	\$ 10,742,177	\$ 15,211,492

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

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2015

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,459,908	\$ 1,682,966	\$ 3,142,874
Payments to suppliers	(763,851)	(355,145)	(1,118,996)
Payments to and on behalf of employees	(449,887)	(528,622)	(978,509)
Net cash provided by (used for) operating activities	\$ 246,170	\$ 799,199	\$ 1,045,369
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	\$ (21,839)	\$ (1,495)	\$ (23,334)
Capital contributions	7,500	-	7,500
Principal payments on bonds	(102,400)	(761,004)	(863,404)
Interest payments	(60,981)	(36,700)	(97,681)
Net cash provided by (used for) capital and related financing activities	\$ (177,720)	\$ (799,199)	\$ (976,919)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	\$ 1,572	\$ -	\$ 1,572
Net increase (decrease) in cash and cash equivalents	\$ 70,022	\$ -	\$ 70,022
Cash and cash equivalents - beginning	745,182	-	745,182
Cash and cash equivalents - ending	\$ 815,204	\$ -	\$ 815,204
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (109,641)	\$ (81,869)	\$ (191,510)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation expense	288,463	669,408	957,871
Changes in operating assets and liabilities:			
(Increase) decrease in receivables	67,981	(6,028)	61,953
(Increase) decrease in due from other governmental units	1,040	22,704	23,744
(Increase) decrease in prepaid items	(3,692)	(8,166)	(11,858)
(Increase) decrease in deferred outflows of resources	(7,074)	(8,512)	(15,586)
Increase (decrease) in accounts payable	15,502	(185)	15,317
Increase (decrease) in bank overdraft payable	-	224,596	224,596
Increase (decrease) in deposits held	170	-	170
Increase (decrease) in net pension liability	(52,090)	(62,671)	(114,761)
Increase (decrease) in net OPEB obligation	3,959	3,858	7,817
Increase (decrease) in compensated absences	1,455	(2,178)	(723)
Increase (decrease) in deferred inflows of resources	40,097	48,242	88,339
Net cash provided by (used for) operating activities	\$ 246,170	\$ 799,199	\$ 1,045,369

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

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TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Financial Reporting Entity

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

Individual Component Unit Disclosures

The Town has no component units.

Related Organizations

The Town has no related organizations.

Jointly Governed Organizations

The Town has no jointly governed organizations.

B. Government-wide and Fund Financial Statements

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

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

Statement of Net Position - The Statement of Net Position is designed to display the financial position of the primary government (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 government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Budgets and Budgetary Accounting

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

1. Prior to March 30, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund level. The appropriation for each fund can be revised only by the Town Council.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) except that enterprise fund budgets are adopted on the modified accrual basis of accounting.
7. Appropriations lapse on June 30 for all Town units.
8. All budgetary data presented in the accompanying financial statements is as amended and approved by Town Council.
9. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to 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, 2015 (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	
Administration	\$ 8,779
Public Safety	58,157
Public Works	16,603
Nondepartmental	10,475
Debt Service	80,392
Total	<u>\$ 174,406</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, 2015, the allowances amounted to \$18,095 for property taxes, \$57,714 for water charges and \$78,833 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 estimated fair market 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, 2015 was immaterial.

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

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

I. Deferred Outflows/Inflows of Resources

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

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, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension 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 these items, reference the pension note.

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.

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

O. Net Position

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

P. Net Position Flow Assumption

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

Q. Investments

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

R. Fund Equity

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

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

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

R. Fund Equity: (Continued)

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

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

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

S. Upcoming Pronouncements

Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, amends certain provisions of Statement 68 for pension plans and pensions that are within its scope. The requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. No formal study or estimate of the impact of this standard has been performed.

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

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

S. Upcoming Pronouncements: (Continued)

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. No formal study or estimate of the impact of this standard has been performed.

Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, is meant to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. No formal study or estimate of the impact of this standard has been performed.

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

NOTE 2—DEPOSITS AND INVESTMENTS:

Deposits:

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

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

Investments:

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

Custodial Credit Risk (Investments):

The Town does not have an investment policy.

The Town's investments at June 30, 2015 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>8,527</u>

External Investment Pools:

The fair value of the positions in the external investment pool (LGIP) are the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7.

NOTE 3—DUE FROM OTHER GOVERNMENTS:

Commonwealth of Virginia:		
Communications tax	\$	28,917
Auto rental tax		7,267
Asset forfeiture		600
Highway construction		312,525
Federal:		
Highway construction		451,075
County of Orange:		
Local Sales Tax		<u>32,751</u>
Total	\$	<u>833,135</u>

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 4—CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2015 was as follows:

	Balance June 30, 2014	Additions	Retirements	Balance June 30, 2015
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 882,289	\$ -	\$ -	\$ 882,289
Construction in progress	132,834	2,077,211	-	2,210,045
Total capital assets, not being depreciated	\$ 1,015,123	\$ 2,077,211	\$ -	\$ 3,092,334
Capital assets, being depreciated:				
Buildings	\$ 3,075,860	\$ 49,945	\$ -	\$ 3,125,805
Equipment and improvements	2,477,241	327,882	(161,485)	2,643,638
Road systems	3,334,857	31,268	-	3,366,125
Total capital assets being depreciated	\$ 8,887,958	\$ 409,095	\$ (161,485)	\$ 9,135,568
Less accumulated depreciation for:				
Buildings	\$ (861,937)	\$ (80,215)	\$ -	\$ (942,152)
Equipment and improvements	(2,069,173)	(184,261)	108,491	(2,144,943)
Road systems	(1,063,101)	(168,306)	-	(1,231,407)
Total accumulated depreciation	\$ (3,994,211)	\$ (432,782)	\$ 108,491	\$ (4,318,502)
Total capital assets, being depreciated, net	\$ 4,893,747	\$ (23,687)	\$ (52,994)	\$ 4,817,066
Governmental activities capital assets, net	\$ 5,908,870	\$ 2,053,524	\$ (52,994)	\$ 7,909,400

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 4—CAPITAL ASSETS: (CONTINUED)

	Balance June 30, 2014	Additions	Retirements	Balance June 30, 2015
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	10,853,991	23,334	-	10,877,325
Water storage facility	3,807,196	-	-	3,807,196
Total capital assets being depreciated	\$ 43,255,754	\$ 23,334	\$ -	\$ 43,279,088
Less accumulated depreciation for:				
Buildings	\$ (1,920,843)	\$ (148,421)	\$ -	\$ (2,069,264)
Wastewater treatment plant	(1,449,793)	(483,264)	-	(1,933,057)
Equipment and improvements	(6,664,854)	(239,812)	-	(6,904,666)
Water storage facility	(818,553)	(86,374)	-	(904,927)
Total accumulated depreciation	\$ (10,854,043)	\$ (957,871)	\$ -	\$ (11,811,914)
Total capital assets, being depreciated, net	\$ 32,401,711	\$ (934,537)	\$ -	\$ 31,467,174
Business-type activities capital assets, net	\$ 32,650,003	\$ (934,537)	\$ -	\$ 31,715,466

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 4—CAPITAL ASSETS: (CONTINUED)

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

Governmental activities:

General government administration	\$	145,700
Public safety		60,792
Public works		219,590
Parks, recreation and cultural		<u>6,700</u>

Total depreciation expense - governmental activities	\$	<u><u>432,782</u></u>
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Business-type activities:

Water	\$	288,463
Sewer		<u>669,408</u>

Total depreciation expense - business-type activities	\$	<u><u>957,871</u></u>
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NOTE 5—LONG-TERM OBLIGATIONS:

Governmental Activities:

Changes in Long-term Obligations:

The following is a summary of long-term obligation transactions of the Town for the year ended June 30, 2015:

	Balance June 30, 2014	Increases	Decreases	Balance June 30, 2015
General Obligation Bonds	\$ 1,553,350	\$ -	\$ 126,900	\$ 1,426,450
Capital Lease	106,698	135,000	106,698	135,000
Net Pension Liability (Note 7)	1,071,005	490,146	822,059	739,092
Net OPEB Obligation (Note 12)	110,292	28,736	1,553	137,475
Compensated Absences (Note 6)	<u>128,318</u>	<u>-</u>	<u>10,275</u>	<u>118,043</u>
Total	<u>\$ 2,969,663</u>	<u>\$ 653,882</u>	<u>\$ 1,067,485</u>	<u>\$ 2,556,060</u>

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (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>
2016	\$ 162,127	\$ 30,280
2017	167,402	27,007
2018	170,338	23,652
2019	173,283	20,237
2020	141,000	16,765
2021-2025	<u>747,300</u>	<u>36,008</u>
Total	<u>\$ 1,561,450</u>	<u>\$ 153,949</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.	\$ 1,426,450	\$ 129,250
\$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.	135,000	32,877
Net pension liability (Note 7)	739,092	-
Compensated absences (Note 6)	118,043	11,804
Net OPEB obligation (Note 12)	<u>137,475</u>	<u>-</u>
Total governmental activities long-term obligations	<u>\$ 2,556,060</u>	<u>\$ 173,931</u>

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 5—LONG-TERM OBLIGATIONS: (CONTINUED)

Governmental Activities: (Continued)

The assets acquired through capital leases are as follows:

Asset:	
Equipment	\$ 196,133
Less: Accumulated depreciation	<u>(68,313)</u>
Total	<u>\$ 127,820</u>

Business-type Activities:

Changes in Long-term Obligations:

	Balance June 30, 2014	Increases	Decreases	Balance June 30, 2015
General Obligation Bonds	\$ 3,561,649	\$ -	\$ 213,100	\$ 3,348,549
Revenue Bonds	13,958,280	-	627,040	13,331,240
Net Pension Liability (Note 7)	370,306	169,472	284,233	255,545
Net OPEB obligation (Note 12)	31,708	8,264	447	39,525
Compensated Absences (Note 6)	<u>62,369</u>	<u>-</u>	<u>723</u>	<u>61,646</u>
Total	<u>\$ 17,984,312</u>	<u>\$ 177,736</u>	<u>\$ 1,125,543</u>	<u>\$ 17,036,505</u>

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

Year Ending June 30,	Principal	Interest
2016	\$ 866,054	\$ 82,295
2017	871,354	77,188
2018	884,004	71,925
2019	886,654	66,387
2020	889,304	60,795
2021-2025	4,534,222	212,591
2026-2030	3,766,522	102,291
2031-2035	3,656,522	24,339
2036	<u>325,153</u>	<u>-</u>
Total	<u>\$ 16,679,789</u>	<u>\$ 697,811</u>

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (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.	\$ 13,331,241	\$ 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.	1,608,548	145,750
\$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>1,740,000</u>	<u>70,000</u>
Total bonds payable	\$ <u>16,679,789</u>	\$ <u>866,054</u>
Net pension liability (Note 7)	\$ 255,545	\$ -
Compensated absences (Note 6)	61,646	6,165
Net OPEB obligation (Note 12)	<u>39,525</u>	<u>-</u>
Total business-type long-term obligations	<u>\$ 17,036,505</u>	<u>\$ 872,219</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 \$118,043 and the Enterprise Funds have outstanding accrued leave pay of \$61,646.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 7—PENSION PLAN:

Plan Description

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

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

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. 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>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. 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>About the Hybrid Retirement Plan 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"> • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p>

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (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> Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>
<p>Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1</p>

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Calculating the Benefit (Cont.) An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p>Calculating the Benefit (Cont.)</p>	<p>Calculating the Benefit (Cont.) <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>
<p>Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p> <p>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p>Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p>Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p> <p>Sheriffs and regional jail superintendents: Same as Plan 1.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p>Sheriffs and regional jail superintendents: Not applicable.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: Not applicable.</p>

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><u>Eligibility:</u> Same as Plan 1</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p>

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Disability Coverage 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>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>Disability Coverage 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>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>Disability Coverage 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> <p>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.</p>
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. 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.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • 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. <p><u>Defined Contribution Component:</u> Not applicable.</p>

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

Employees Covered by Benefit Terms

As of the June 30, 2013 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	28
Inactive members:	
Vested inactive members	16
Non-vested inactive members	23
Inactive members active elsewhere in VRS	<u>49</u>
Total inactive members	88
Active members	<u>51</u>
Total covered employees	<u><u>167</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, 2015 was 11.75% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$275,095 and \$209,608 for the years ended June 30, 2015 and June 30, 2014, respectively.

Net Pension Liability

The Town's net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (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, 2013, 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, 2014.

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, 2015 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees (Continued)

The actuarial assumptions used in the June 30, 2013 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, 2013, 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, 2014.

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, 2015 (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, 2013 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, 2015 (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, 2015 (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, 2013	\$ 6,276,046	\$ 4,834,735	\$ 1,441,311
Changes for the year:			
Service cost	\$ 224,518	\$ -	\$ 224,518
Interest	431,065	-	431,065
Contributions - employer	-	209,608	(209,608)
Contributions - employee	-	125,102	(125,102)
Net investment income	-	771,541	(771,541)
Benefit payments, including refunds of employee contributions	(235,941)	(235,941)	-
Administrative expenses	-	(4,035)	4,035
Other changes	-	41	(41)
Net changes	\$ 419,642	\$ 866,316	\$ (446,674)
Balances at June 30, 2014	\$ 6,695,688	\$ 5,701,051	\$ 994,637

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

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

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
Net Pension Liability	2,097,794	994,637	104,850

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

For the year ended June 30, 2015, the Town recognized pension expense of \$106,768. At June 30, 2015, 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
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 343,834
Employer contributions subsequent to the measurement date	275,095	-
Total	\$ 275,095	\$ 343,834

\$275,095 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 year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30	
2016	\$ (85,959)
2017	(85,959)
2018	(85,959)
2019	(85,957)

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 8—DEFERRED/UNAVAILABLE REVENUE:

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

Unavailable Property Tax Revenue - Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$292,896 (including 2nd ½ tax billings of \$280,276 not due until December 5) at June 30, 2015.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2015 but paid in advance by the taxpayers totaled \$27,991 at June 30, 2015.

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 disclosed in the fiscal year 2014 audited financial statements, the Town was made aware of an error by the County of Orange, Virginia in computing the sales tax allocated and remitted to the Town dating back to 2009. The County has asserted that the Town is obligated to repay the sales tax overpayment estimated to be approximately \$440,000. As of the date of the fiscal year 2015 audited financial statements, no litigation has been initiated and the Town and County of Orange are continuing settlement discussions. The amount to be repaid, if any, by the Town for the overpayment of sales tax received is not known as of the issuance of the fiscal year 2015 financial statements. The Town will vigorously defend all litigation, claims and assessments.

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 \$37,000 for fiscal year 2015. The Town did not make a payment towards this obligation during the fiscal year. The Town is required to contribute the annual required contribution of the employer, 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, 2015 (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	\$	37,000
Interest on net OPEB obligation		6,000
Adjustment to annual required contribution		<u>(6,000)</u>
Annual OPEB cost (expense)	\$	37,000
Contributions made		<u>(2,000)</u>
Increase in net OPEB obligation	\$	35,000
Net OPEB obligation - beginning of year		<u>142,000</u>
Net OPEB obligation - end of year	\$	<u><u>177,000</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 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, 2013	\$ 32,000	0%	\$ 110,000
June 30, 2014	33,000	3%	142,000
June 30, 2015	37,000	5%	177,000

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

The funded status of the plan as of July 1, 2012 is as follows:

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

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

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

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	5.50%
Payroll growth	2.50%

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 13—ADOPTION OF ACCOUNTING PRINCIPLES:

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*:

The Town implemented the financial reporting provisions of the above Statements for the fiscal year ended June 30, 2015. These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. Note disclosure and required supplementary information requirements about pensions are also addressed. The requirements of these Statements will improve financial reporting by improving accounting and financial reporting by state and local governments for pensions. The implementation of these Statements resulted in the following restatement of net position:

	General Fund	Water Fund	Sewer Fund
Net position at June 30, 2014, as reported	\$ 7,716,280	\$ 4,773,159	\$ 11,049,605
Implementation of GASB 68	(915,250)	(143,638)	(172,815)
Net position at June 30, 2014, as restated	<u>\$ 6,801,030</u>	<u>\$ 4,629,521</u>	<u>\$ 10,876,790</u>

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Required Supplementary Information

Note to Required Supplementary Information:

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

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

General Fund

For the Year Ended June 30, 2015

	General Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
General property taxes	\$ 728,000	\$ 728,000	\$ 731,855	\$ 3,855
Other local taxes/revenues	2,101,200	2,101,200	2,034,341	(66,859)
Permits, fees, and regulatory licenses	4,100	4,100	3,300	(800)
Fines and forfeitures	61,200	61,200	66,913	5,713
Revenues from use of money and property	9,300	9,300	10,958	1,658
Charges for services	103,887	103,887	94,358	(9,529)
Miscellaneous revenue	316,667	892,424	32,952	(859,472)
Recovered costs	12,000	12,000	149,332	137,332
Revenue from internal sources	309,120	309,120	309,120	-
Intergovernmental revenues:				
Commonwealth	1,273,038	1,273,038	1,808,775	535,737
Federal	-	1,747,878	1,394,645	(353,233)
Total revenues	\$ 4,918,512	\$ 7,242,147	\$ 6,636,549	\$ (605,598)
EXPENDITURES				
Current:				
General government administration	\$ 663,978	\$ 666,878	\$ 675,657	\$ (8,779)
Public safety	1,426,928	1,426,928	1,485,085	(58,157)
Public works	2,023,661	2,023,661	2,040,264	(16,603)
Parks, recreation, and cultural	30,000	30,000	28,721	1,279
Community development	173,844	173,844	160,680	13,164
Nondepartmental	192,396	192,396	202,871	(10,475)
Capital projects	221,200	2,541,935	2,475,000	66,935
Debt service:				
Principal	126,900	126,900	235,159	(108,259)
Interest and finance charges	59,605	59,605	31,738	27,867
Total expenditures	\$ 4,918,512	\$ 7,242,147	\$ 7,335,175	\$ (93,028)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ (698,626)	\$ (698,626)
OTHER FINANCING SOURCES (USES)				
Issuance of capital leases	\$ -	\$ -	\$ 135,000	\$ 135,000
Net change in fund balances	\$ -	\$ -	\$ (563,626)	\$ (563,626)
Fund Balance at Beginning of Year	-	-	3,399,650	3,399,650
Fund Balance at End of Year	\$ -	\$ -	\$ 2,836,024	\$ 2,836,024

Schedule of Components of and Changes in Net Pension Liability and Related Ratios
For the Year Ended June 30, 2015

	<u>2014</u>
Total pension liability	
Service cost	\$ 224,518
Interest	431,065
Benefit payments, including refunds of employee contributions	(235,941)
Net change in total pension liability	<u>\$ 419,642</u>
Total pension liability - beginning	<u>6,276,046</u>
Total pension liability - ending (a)	<u><u>\$ 6,695,688</u></u>
 Plan fiduciary net position	
Contributions - employer	\$ 209,608
Contributions - employee	125,102
Net investment income	771,541
Benefit payments, including refunds of employee contributions	(235,941)
Administrative expense	(4,035)
Other	41
Net change in plan fiduciary net position	<u>\$ 866,316</u>
Plan fiduciary net position - beginning	<u>4,834,735</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 5,701,051</u></u>
 Political subdivision's net pension liability - ending (a) - (b)	 \$ 994,637
 Plan fiduciary net position as a percentage of the total pension liability	 85.15%
 Covered-employee payroll	 \$ 2,330,120
 Political subdivision's net pension liability as a percentage of covered-employee payroll	 42.69%

This schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

Schedule of Employer Contributions
For the Year Ended June 30, 2015

<u>Date</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Employee Payroll</u>	<u>Contributions as a % of Covered Employee Payroll</u>
2015	\$ 275,095	\$ 275,095	\$ -	\$ 2,344,581	11.73%

This schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

Notes to Required Supplementary Information
For the Year Ended June 30, 2015

Changes of benefit terms - There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

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, 2015

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

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Other Supplementary Information

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Supporting Schedules

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Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2015

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 536,000	\$ 536,000	\$ 554,022	\$ 18,022
Personal property taxes	150,000	150,000	150,162	162
Public service corporation taxes	22,000	22,000	22,038	38
Delinquent taxes	20,000	20,000	5,633	(14,367)
Total general property taxes	\$ 728,000	\$ 728,000	\$ 731,855	\$ 3,855
Other local taxes/revenues				
Local sales and use taxes	\$ 370,000	\$ 370,000	\$ 241,507	\$ (128,493)
Consumers' utility taxes	220,000	220,000	233,334	13,334
Electric consumption taxes	15,000	15,000	17,465	2,465
Motor vehicle licenses	90,000	90,000	95,081	5,081
Bank franchise taxes	115,000	115,000	128,686	13,686
Restaurant food taxes	1,040,000	1,040,000	1,096,455	56,455
Business License	9,000	9,000	8,044	(956)
Transient/occupancy tax	136,000	136,000	120,139	(15,861)
Cigarette tax	106,200	106,200	93,630	(12,570)
Total other local taxes/revenues	\$ 2,101,200	\$ 2,101,200	\$ 2,034,341	\$ (66,859)
Permits, fees, and regulatory licenses:				
Planning and development fees	\$ 4,000	\$ 4,000	\$ 3,225	\$ (775)
Construction permits/fees	100	100	75	(25)
Total permits, fees, and regulatory licenses	\$ 4,100	\$ 4,100	\$ 3,300	\$ (800)
Fines and forfeitures:				
Court fines and forfeitures	\$ 61,200	\$ 61,200	\$ 66,913	\$ 5,713
Revenue from use of money and property:				
Revenue from use of money	\$ 5,000	5,000	\$ 5,268	\$ 268
Revenue from use of property	4,300	4,300	5,690	1,390
Total revenue from use of money and property	\$ 9,300	\$ 9,300	\$ 10,958	\$ 1,658
Charges for services:				
Refuse collection	\$ 82,000	\$ 82,000	\$ 79,132	\$ (2,868)
Transit fees	21,887	21,887	15,226	(6,661)
Total charges for services	\$ 103,887	\$ 103,887	\$ 94,358	\$ (9,529)

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2015 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from Local Sources: (Continued)				
Miscellaneous revenue:				
Reserve funds	\$ 299,567	\$ 875,324	\$ -	\$ (875,324)
Administrative fees	6,100	6,100	11,522	5,422
Proceeds from the sale of surplus property	-	-	7,049	7,049
Proceeds from the sale of recycled material	-	-	905	905
Revenue refunds	7,500	7,500	7,867	367
Miscellaneous	3,500	3,500	5,609	2,109
Total miscellaneous revenue	\$ 316,667	\$ 892,424	\$ 32,952	\$ (859,472)
Recovered costs:				
Expenditure refunds	\$ 12,000	\$ 12,000	\$ 149,332	\$ 137,332
Revenue from internal sources:				
Internal charges	\$ 309,120	\$ 309,120	\$ 309,120	\$ -
Total revenue from local sources	\$ 3,645,474	\$ 4,221,231	\$ 3,433,129	\$ (788,102)
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home registration	\$ 80	\$ 80	\$ -	\$ (80)
Rolling stock tax	7,800	7,800	7,464	(336)
Motor vehicle carriers' tax	30,000	30,000	41,457	11,457
Communications tax	177,000	177,000	176,166	(834)
Personal property tax relief funds	89,615	89,615	89,615	-
Total noncategorical aid	\$ 304,495	\$ 304,495	\$ 314,702	\$ 10,207
Categorical aid:				
State Highway Funds	\$ 843,636	\$ 843,636	\$ 1,343,224	\$ 499,588
ISTEA Railroad Avenue	-	-	30,087	30,087
Aid to localities with police departments	109,032	109,032	103,032	(6,000)
Fire Program Grants	11,375	11,375	14,957	3,582
Miscellaneous Grants	2,000	2,000	-	(2,000)
Litter Control Grant	2,500	2,500	2,773	273
Total categorical aid	\$ 968,543	\$ 968,543	\$ 1,494,073	\$ 525,530
Total revenue from the commonwealth	\$ 1,273,038	\$ 1,273,038	\$ 1,808,775	\$ 535,737
Revenue from the Federal Government:				
Categorical aid:				
Highway Planning and Construction	\$ -	\$ 1,747,878	\$ 1,394,645	\$ (353,233)
Total General Fund	\$ 4,918,512	\$ 7,242,147	\$ 6,636,549	\$ (605,598)

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2015 (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>
Special Revenue Fund:				
Taylor Park Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 218	\$ 218
Total revenue from local sources	\$ -	\$ -	\$ 218	\$ 218
Total Taylor Park Fund	\$ -	\$ -	\$ 218	\$ 218
Capital Projects Fund:				
General Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 246	\$ 246
Total revenue from local sources	\$ -	\$ -	\$ 246	\$ 246
Revenue from the Commonwealth:				
Categorical aid:				
Other categorical aid				-
Public works grant	\$ -	\$ -	\$ 1,463	\$ 1,463
Local Law Enforcement Block Grant	-	-	46,213	46,213
Virginia Arts Commission	-	-	5,000	5,000
Asset forfeiture	-	-	4,374	4,374
Total categorical aid	\$ -	\$ -	\$ 57,050	\$ 57,050
Total revenue from the commonwealth	\$ -	\$ -	\$ 57,050	\$ 57,050
Total Capital Projects Fund	\$ -	\$ -	\$ 57,296	\$ 57,296
Total Primary Government	\$ 4,918,512	\$ 7,242,147	\$ 6,694,063	\$ (548,084)

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2015

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Town Council	\$ 43,377	\$ 43,377	\$ 40,628	\$ 2,749
General and financial administration:				
Town manager	\$ 269,370	\$ 272,270	\$ 265,796	\$ 6,474
Professional services	35,245	35,245	29,846	5,399
Treasurer/finance	315,986	315,986	339,387	(23,401)
Total general and financial administration	\$ 620,601	\$ 623,501	\$ 635,029	\$ (11,528)
Total general government administration	\$ 663,978	\$ 666,878	\$ 675,657	\$ (8,779)
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 1,355,553	\$ 1,355,553	\$ 1,410,128	\$ (54,575)
Fire and rescue services:				
Volunteer fire departments	\$ 51,375	\$ 51,375	\$ 54,957	\$ (3,582)
Rescue squad	20,000	20,000	20,000	-
Total fire and rescue services	\$ 71,375	\$ 71,375	\$ 74,957	\$ (3,582)
Total public safety	\$ 1,426,928	\$ 1,426,928	\$ 1,485,085	\$ (58,157)
Public works:				
Streets and general maintenance	\$ 1,698,246	\$ 1,698,246	\$ 1,656,546	\$ 41,700
Refuse collection and disposal	168,320	168,320	175,046	(6,726)
Municipal building	41,636	41,636	39,402	2,234
Depot	17,000	17,000	16,810	190
TOOT	98,459	98,459	152,460	(54,001)
Total public works	\$ 2,023,661	\$ 2,023,661	\$ 2,040,264	\$ (16,603)
Parks, recreation, and cultural:				
Parks and recreation	\$ 30,000	\$ 30,000	\$ 28,721	\$ 1,279
Total parks, recreation, and cultural	\$ 30,000	\$ 30,000	\$ 28,721	\$ 1,279

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2015 (Continued)

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Community development:				
Planning and community development	\$ 173,844	\$ 173,844	\$ 160,680	\$ 13,164
Total community development	\$ 173,844	\$ 173,844	\$ 160,680	\$ 13,164
Nondepartmental:				
Insurance	\$ 35,596	\$ 35,596	\$ 37,760	\$ (2,164)
Revenue refunds	-	-	2,103	(2,103)
Contractual services	26,500	26,500	23,890	2,610
Bank service charges	15,000	15,000	13,013	1,987
Miscellaneous	5,000	5,000	16,405	(11,405)
Donations	110,300	110,300	109,700	600
Total nondepartmental	\$ 192,396	\$ 192,396	\$ 202,871	\$ (10,475)
Capital expenditures:				
Capital outlay	\$ 221,200	\$ 2,541,935	\$ 2,475,000	\$ 66,935
Debt service:				
Principal	\$ 126,900	\$ 126,900	\$ 235,159	\$ (108,259)
Interest	59,605	59,605	31,738	27,867
Total debt service	\$ 186,505	\$ 186,505	\$ 266,897	\$ (80,392)
Total General Fund	\$ 4,918,512	\$ 7,242,147	\$ 7,335,175	\$ (93,028)
Capital Projects Fund:				
General Capital projects expenditures:				
Capital projects expenditures	\$ -	\$ -	\$ 78,360	\$ (78,360)
Total Capital Projects Fund	\$ -	\$ -	\$ 78,360	\$ (78,360)
Total Primary Government	\$ 4,918,512	\$ 7,242,147	\$ 7,413,535	\$ (171,388)

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Other Statistical Information

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

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

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

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

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

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

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

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

Governmental Activities Tax Revenues by Source

Last Nine Fiscal Years

(accrual basis of accounting)

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Local Sales and Use Tax</u>	<u>Consumer Utility Tax</u>	<u>Restaurant Food Tax</u>	<u>Other Local Taxes</u>	<u>Total</u>
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

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

Fund Balances of Governmental Funds

Last Nine Fiscal Years

(modified accrual basis of accounting)

	2007	2008	2009	2010	2011 (1)	2012	2013	2014	2015
General fund									
Reserved	\$ 19,745	\$ 5,195	\$ 2,380	\$ 2,387					
Unreserved	2,082,426	2,234,871	2,499,751	2,539,564					
Total general fund	<u>\$ 2,102,171</u>	<u>\$ 2,240,066</u>	<u>\$ 2,502,131</u>	<u>\$ 2,541,951</u>					
All other governmental funds									
Reserved	\$ -	\$ -	\$ -	\$ -					
Unreserved, reported in:									
Taylor park fund	106,801	106,657	106,239	106,692					
Capital projects funds	-	209,675	38,120	53,727					
Total all other governmental funds	<u>\$ 106,801</u>	<u>\$ 316,332</u>	<u>\$ 144,359</u>	<u>\$ 160,419</u>					
Total fund balance, governmental funds	<u>\$ 2,208,972</u>	<u>\$ 2,556,398</u>	<u>\$ 2,646,490</u>	<u>\$ 2,702,370</u>					
General fund									
Nonspendable					\$ 21,387	\$ -	\$ -	\$ 34,623	\$ 9,862
Restricted					2,392	27,392	2,392	2,392	2,392
Unassigned					2,899,043	2,972,253	3,863,499	3,362,635	2,823,770
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>
All other governmental funds									
Restricted									
Taylor park fund					\$ 107,089	\$ 107,278	\$ 107,667	\$ 107,881	\$ 108,099
Assigned									
Capital projects fund					70,507	133,804	124,313	119,093	98,029
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>
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>

(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 Nine Fiscal Years
(modified accrual basis of accounting)

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

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
2015	\$	731,855	\$	2,034,341	\$	3,300	\$	66,913	\$	11,422
2014		738,725		2,155,737		811		85,679		11,658
2013		723,149		2,097,575		5,401		58,887		16,531
2012		660,003		2,032,836		5,868		75,798		8,659
2011		701,614		1,966,640		4,800		100,414		12,230
2010		643,848		1,859,512		2,539		60,235		10,945
2009		667,271		1,861,695		1,776		73,006		9,094
2008		662,053		1,749,300		7,865		84,232		35,962
2007		737,166		1,802,476		-		75,746		79,357
2006		696,866		1,810,589		-		68,621		45,950

- 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
\$ 94,358	\$ 149,332	\$ 32,952	\$ 3,260,470	\$ 6,384,943
107,498	13,723	353,888	1,686,080	5,153,799
103,681	11,448	332,659	1,265,947	4,615,278
50,475	3,042	325,531	1,358,180	4,520,392
54,961	21,052	316,997	1,307,234	4,485,942
73,462	19,699	383,806	1,269,557	4,323,603
93,662	72,657	340,060	1,180,666	4,299,887
88,479	-	27,225	1,188,868	3,843,984
102,359	-	139,439	1,014,529	3,951,072
131,186	-	87,891	907,244	3,748,347

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
2015	\$	361,646,400	\$ 34,309,280	\$ 13,566,760	\$ 409,522,440	409,522,440	100.00%
2014		360,126,565	34,591,100	15,323,152	410,040,817	410,040,817	100.00%
2013		356,685,550	36,261,468	15,012,840	407,959,858	407,959,858	100.00%
2012		405,790,650	33,585,596	14,945,558	454,321,804	454,321,804	100.00%
2011		455,413,450	33,306,877	15,242,650	503,962,977	503,962,977	100.00%
2010		454,299,450	27,498,838	15,305,972	497,104,260	497,104,260	100.00%
2009		453,115,000	43,436,588	14,687,687	511,239,275	511,239,275	100.00%
2008		450,501,300	42,994,779	17,362,511	510,858,590	510,858,590	100.00%
2007		329,528,350	40,643,746	9,619,293	379,791,389	379,791,389	100.00%
2006		203,047,200	38,321,145	9,619,293	250,987,638	250,987,638	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
2015	\$.155/.155	\$ 0.830	\$ 0.066	\$.155/.830	\$ 0.155
2014	.155/.155	0.830	0.066	.155/.830	0.155
2013	.145/.155	0.830	0.066	.145/.830	0.145
2012	.114/.145	0.830	0.066	.114/.830	0.114
2011	.114/.114	0.830	0.066	.114/.830	0.114
2010	.114/.114	0.600	0.066	.114/.600	0.114
2009	.114/.114	0.600	0.066	.114/.600	0.114
2008	.114/.114	0.600	0.066	.114/.600	0.114
2007	.114/.240	0.600	0.066	.114/.600	0.114
2006	.114/.240	0.600	0.066	.240/.600	0.240

(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
2015	4,902	\$ 409,522	\$ 4,774,999	\$ 3,348,549	\$ 1,426,450	0.35%	\$ 291
2014	4,855	410,041	5,115,000	3,561,650	1,553,350	0.38%	320
2013	4,813	407,960	5,183,537	3,623,387	1,560,150	0.38%	324
2012	4,776	454,322	5,425,169	3,763,969	1,661,200	0.37%	348
2011	4,730	503,963	5,660,721	3,900,821	1,759,900	0.35%	372
2010	4,674	497,104	5,885,238	4,031,338	1,853,900	0.37%	397
2009	4,636	511,239	9,089,854	7,144,304	1,945,550	0.38%	420
2008	4,566	510,859	9,604,632	7,569,782	2,034,850	0.40%	446
2007	4,494	379,791	10,112,855	7,991,055	2,121,800	0.56%	472
2006	4,398	250,988	10,669,513	8,403,113	2,266,400	0.90%	515

(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
2014-15	\$ 823,502	\$ 810,895	98.47%	\$ 10,576	\$ 821,471	99.75%	\$ 24,404	2.96%
2013-14	825,977	778,024	94.19%	43,976	822,000	99.52%	23,428	2.84%
2012-13	817,562	755,728	92.44%	20,756	776,484	94.98%	58,720	7.18%
2011-12	770,459	744,245	96.60%	33,663	777,908	100.97%	44,549	5.78%
2010-11	768,695	765,066	99.53%	26,163	791,229	102.93%	60,543	7.88%
2009-10	706,081	706,070	100.00%	27,393	733,463	103.88%	86,706	12.28%
2008-09	722,001	717,996	99.45%	38,890	756,886	104.83%	90,594	12.55%
2007-08	741,438	685,776	92.49%	32,662	718,438	96.90%	22,868	3.08%
2006-07	725,271	708,957	97.75%	27,940	736,897	101.60%	38,743	5.34%
2005-06	693,124	683,277	98.58%	9,621	692,898	99.97%	65,233	9.41%
2004-05	595,211	585,614	98.39%	9,420	595,034	99.97%	53,665	9.02%

(1) Includes Commonwealth's PPTRA reimbursement

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

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Compliance

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, and each major fund, of Town of Orange, Virginia, as of and for the year ended June 30, 2015, 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 30, 2015.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Robinson, Farmer, Cox Associates

Charlottesville, Virginia

November 30, 2015

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report on Compliance For Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133

Honorable Mayor and Members of the Town Council
Town of Orange, Virginia

Report on Compliance for Each Major Federal Program

We have audited Town of Orange, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Town of Orange, Virginia's major federal programs for the year ended June 30, 2015. Town of Orange, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Town of Orange, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Town of Orange, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Town of Orange, Virginia's compliance.

Opinion on Each Major Federal Program

In our opinion, Town of Orange, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of Town of Orange, Virginia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Town of Orange, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Town of Orange, Virginia's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Robinson, Farmer, Cox Associates
Charlottesville, Virginia
November 30, 2015

TOWN OF ORANGE, VIRGINIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Federal Grantor/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expendi- tures
Department of Transportation:			
Pass Through Payments:			
Highway Planning and Construction	20.205	n/a	<u>1,394,645</u>
Total Expenditures of Federal Awards			\$ <u><u>1,394,645</u></u>

The accompanying notes are an integral part of this statement.

TOWN OF ORANGE, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2015

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Town of Orange, Virginia under programs of the federal government for the year ended June 30, 2015. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the Town of Orange, Virginia, it is not intended to and does not present the financial position, change in net assets, or cash flows of the Town of Orange, Virginia.

Note 2 - Summary of Significant Account Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

Note 3 - Relationship to Financial Statements

Federal expenditures, revenues, and capital contributions are reported in the Town's basic financial statements as follows:

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General fund	\$ <u>1,394,645</u>
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Total federal expenditures per basic financial statements	\$ <u><u>1,394,645</u></u>
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Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ <u><u>1,394,645</u></u>
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TOWN OF ORANGE, VIRGINIA

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2015

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	No
Identification of major programs:	
CFDA #	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs to report.

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