

Town of Orange, Virginia



Financial Report
Year Ended June 30, 2021

TOWN OF ORANGE, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2021

TOWN OF ORANGE, VIRGINIA

DIRECTORY OF OFFICIALS

COUNCIL

Timothy J. Bosford, Jr.	Martha Roby, Mayor	
Elliott A. Fox, Jr.	Frederick W. “Rick” Sherman, Jr., Vice-Mayor	Donna Waugh-Robinson

OFFICIALS

Greg Woods	Town Manager
Norris John	Director of Finance
Wendy J. Chewning	Town Clerk

TOWN OF ORANGE, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2021

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ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

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, the discretely presented component unit, and each major fund of Town of Orange, Virginia, as of and for the year ended June 30, 2021, 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, the discretely presented component unit, and each major fund of Town of Orange, Virginia, as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding, on pages 4-9, 66 and 67-77 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town of Orange, Virginia's basic financial statements. The supporting schedules and other statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2021, on our consideration of Town of Orange, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Town of Orange, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Orange, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
December 1, 2021

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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, 2021. 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 \$23.2 million (*net position*). Of this amount, \$1.6 million (*unrestricted net position*) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$285,950, of which the governmental activities accounted for an increase of \$365,934 and business-type activities accounted for a decrease of \$79,984.
- The total ending fund balance for the Town's governmental funds is \$4,450,473, an increase of \$357,916 over the prior year. The ending fund balance of the general fund was \$4,425,292 and is equal to 69% of the Town's fiscal year 2021 general fund expenditures.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$4.4 million, or 68% of general fund expenditures less any capital outlay projects funded with bond proceeds.

Overview of the Financial Statements

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

Government-wide financial statements

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

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

Overview of the Financial Statements: (Continued)

Government-wide financial statements: (Continued)

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

Fund financial statements

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

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

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

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

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

Notes to financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20 through 65 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 66 through 77 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$23.2 million at the close of the most recent fiscal year. A large portion of the Town's net position (\$21.6 million, 93% of total) reflects its investment in capital assets (e.g., land, buildings, improvements, infrastructure machinery and equipment, and vehicles) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities (i.e., the Town's investment in capital assets are of a permanent nature as assets acquired are generally not sold or otherwise disposed of during their useful life).

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

Town of Orange, Virginia
Summary of Net Position
As of June 30, 2021 and June 30, 2020

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 7,655,148	\$ 4,600,658	\$ 423,035	\$ 390,230	\$ 8,078,183	\$ 4,990,888
Capital assets	7,256,089	7,059,188	26,341,971	27,236,060	33,598,060	34,295,248
Total assets	\$ 14,911,237	\$ 11,659,846	\$ 26,765,006	\$ 27,626,290	\$ 41,676,243	\$ 39,286,136
Deferred outflows of resources	\$ 844,776	\$ 624,741	\$ 224,160	\$ 163,085	\$ 1,068,936	\$ 787,826
Long-term liabilities						
outstanding	\$ 3,586,955	\$ 3,218,040	\$ 12,266,286	\$ 13,002,404	\$ 15,853,241	\$ 16,220,444
Other liabilities	2,792,425	40,375	393,731	333,893	3,186,156	374,268
Total liabilities	\$ 6,379,380	\$ 3,258,415	\$ 12,660,017	\$ 13,336,297	\$ 19,039,397	\$ 16,594,712
Deferred inflows of resources	\$ 450,970	\$ 466,443	\$ 6,137	\$ 50,082	\$ 457,107	\$ 516,525
Net investment in capital assets	\$ 6,665,217	\$ 6,332,218	\$ 14,951,507	\$ 14,953,642	\$ 21,616,724	\$ 21,285,860
Restricted	73,162	73,090	-	-	73,162	73,090
Unrestricted	2,187,284	2,154,421	(628,495)	(550,646)	1,558,789	1,603,775
Total net position	\$ 8,925,663	\$ 8,559,729	\$ 14,323,012	\$ 14,402,996	\$ 23,248,675	\$ 22,962,725

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 \$285,950 during the current fiscal year. The overall decrease is attributed to an increase in operating expenses in the governmental funds.

Government-wide Financial Analysis: (Continued)

Governmental activities increased the Town's net position by \$365,934. The following table summarizes the Town's Statement of Activities:

<p style="text-align: center;">Town of Orange, Virginia Changes in Net Position For the Years Ended June 30, 2021 and June 30, 2020</p>						
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 614,482	\$ 643,067	\$ 3,085,795	\$ 3,004,691	\$ 3,700,277	\$ 3,647,758
Operating grants and contributions	2,664,282	1,381,427	-	-	2,664,282	1,381,427
Capital grants and contributions	-	-	152,693	79,247	152,693	79,247
General revenues:						
Property taxes	805,289	913,444	-	-	805,289	913,444
Other taxes	2,316,443	2,218,166	-	-	2,316,443	2,218,166
Unrestricted revenues from the use of money and property	27,834	17,896	778	3,981	28,612	21,877
Miscellaneous	35,873	81,500	180,029	149,273	215,902	230,773
Grants and contributions not restricted to specific programs	267,679	284,720	-	-	267,679	284,720
Gain on sale of surplus property	14,302	22,910	-	-	14,302	22,910
Total revenues	\$ 6,746,184	\$ 5,563,130	\$ 3,419,295	\$ 3,237,192	\$ 10,165,479	\$ 8,800,322
Expenses:						
General government administration	\$ 1,045,353	\$ 1,086,760	\$ -	\$ -	\$ 1,045,353	\$ 1,086,760
Public safety	1,882,357	1,716,475	-	-	1,882,357	1,716,475
Public works	2,133,392	2,261,178	-	-	2,133,392	2,261,178
Parks, recreation and cultural	61,753	64,607	-	-	61,753	64,607
Community development	1,225,749	360,272	-	-	1,225,749	360,272
Interest on long-term obligations	31,646	39,421	-	-	31,646	39,421
Water fund	-	-	1,531,367	1,520,511	1,531,367	1,520,511
Sewer fund	-	-	1,967,912	1,843,391	1,967,912	1,843,391
Total expenses	\$ 6,380,250	\$ 5,528,713	\$ 3,499,279	\$ 3,363,902	\$ 9,879,529	\$ 8,892,615
Increase (decrease) in net position before transfers and capital contributions	\$ 365,934	\$ 34,417	\$ (79,984)	\$ (126,710)	\$ 285,950	\$ (92,293)
Transfers	\$ -	\$ (62,698)	\$ -	\$ 62,698	\$ -	\$ -
Increase (decrease) in net position	\$ 365,934	\$ (28,281)	\$ (79,984)	\$ (64,012)	\$ 285,950	\$ (92,293)
Net position - beginning of year	\$ 8,559,729	\$ 8,588,010	\$ 14,402,996	\$ 14,467,008	\$ 22,962,725	\$ 23,055,018
Net position - end of year	\$ 8,925,663	\$ 8,559,729	\$ 14,323,012	\$ 14,402,996	\$ 23,248,675	\$ 22,962,725

Business-type activities decreased the Town's net position by \$79,984. Similar to how changes arise in the governmental activities, business-type activities also experience budgetary differences; however, as a public utility function comprises the Town's business-type activities there is more of a direct correlation to the revenues generated relative to the expenses incurred because of service demands.

Financial Analysis of the Town's Funds

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

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

In fiscal year 2021, the General Fund's operating revenues exceeded expenditures by \$357,262.

At the end of the current fiscal year, unassigned fund balance of the General Fund was \$4,399,122. Nonspendable fund balance was \$26,170 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 (\$628,495). The total net position decreased by \$79,984 from the prior year.

General Fund Budgetary Highlights

During the fiscal year, the Town's actual revenue was over budget by \$748,931 with the surplus generated by other local taxes and intergovernmental revenues from the federal government. Expenditures were over budget by \$391,669. This was due to the funds contributed to the Economic Development Authority, which were discussed by the Council but never formally included in the budget.

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, 2021, amounts to \$33.6 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and machinery and equipment as well as construction in progress.

Town of Orange, Virginia Capital Assets (net of depreciation) As of June 30, 2021 and June 30, 2020

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 1,147,466	\$ 1,147,466	\$ 248,292	\$ 248,292	\$ 1,395,758	\$ 1,395,758
Wastewater treatment plant	-	-	19,330,571	19,813,836	19,330,571	19,813,836
Buildings	1,780,215	1,860,430	1,831,339	1,920,214	3,611,554	3,780,644
Equipment and improvements	240,029	383,623	2,585,579	2,827,348	2,825,608	3,210,971
Road systems	4,088,379	3,449,651	-	-	4,088,379	3,449,651
Water storage facility	-	-	2,331,190	2,426,370	2,331,190	2,426,370
Construction in progress	-	218,018	15,000	-	15,000	218,018
Total	<u>\$ 7,256,089</u>	<u>\$ 7,059,188</u>	<u>\$ 26,341,971</u>	<u>\$ 27,236,060</u>	<u>\$ 33,598,060</u>	<u>\$ 34,295,248</u>

Additional information on the Town's capital assets can be found in Note 4 on pages 32 through 34 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 \$15.9 million and details are summarized in the following table:

**Town of Orange, Virginia
Outstanding Obligations
As of June 30, 2021 and June 30, 2020**

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Bonds Payable:						
General obligation bonds	\$ 603,950	\$ 747,300	\$ 1,961,050	\$ 2,202,700	\$ 2,565,000	\$ 2,950,000
Revenue bonds	-	-	9,429,414	10,079,719	9,429,414	10,079,719
Net pension liability	2,161,075	1,705,187	716,774	565,568	2,877,849	2,270,755
Net OPEB liabilities	646,407	591,895	103,140	96,786	749,547	688,681
Compensated absences	175,523	173,658	55,908	57,632	231,431	231,290
Total	<u>\$ 3,586,955</u>	<u>\$ 3,218,040</u>	<u>\$ 12,266,286</u>	<u>\$ 13,002,405</u>	<u>\$ 15,853,241</u>	<u>\$ 16,220,445</u>

Debt associated with governmental activities increased by \$368,915 while debt associated with business-type activities decreased by \$736,119.

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, 2021.

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

Economic Factors and Next Year's Budgets and Rates

Real estate assessments are conducted by the County of Orange every four years. The most recent property assessments were performed effective with tax year 2020. The real estate tax rate effective for calendar year 2021 is \$0.157 per \$100 of assessed value and personal property is \$0.83 per \$100 of assessed value. The fiscal year 2022 budget was approved by Town Council on May 17, 2021. The general government fiscal year 2022 budget totaled \$6.079 million including \$1.349 million for capital outlay.

Requests for Information

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

Basic Financial Statements

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Government-wide Financial Statements

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Statement of Net Position
As of June 30, 2021

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Authority
ASSETS				
Cash and cash equivalents	\$ 6,341,447	\$ -	\$ 6,341,447	\$ 20,740
Receivables (net of allowance for uncollectibles):				
Taxes receivable	396,385	-	396,385	-
Other local receivables	195,992	-	195,992	-
Accounts receivable	-	461,061	461,061	-
Internal balances	160,000	(160,000)	-	-
Due from other governmental units	461,992	14,185	476,177	-
Prepaid items	26,170	9,989	36,159	-
Restricted assets:				
Cash and cash equivalents	73,162	97,800	170,962	-
Capital assets (net of accumulated depreciation):				
Land	1,147,466	248,292	1,395,758	-
Wastewater treatment plant	-	19,330,571	19,330,571	-
Buildings	1,780,215	1,831,339	3,611,554	-
Equipment and improvements	240,029	2,585,579	2,825,608	-
Water storage facility	-	2,331,190	2,331,190	-
Road systems	4,088,379	-	4,088,379	-
Construction in progress	-	15,000	15,000	-
Total assets	\$ 14,911,237	\$ 26,765,006	\$ 41,676,243	\$ 20,740
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	\$ 13,078	\$ -	\$ 13,078	\$ -
Pension related items	629,958	209,042	839,000	-
OPEB related items	201,740	15,118	216,858	-
Total deferred outflows of resources	\$ 844,776	\$ 224,160	\$ 1,068,936	\$ -
LIABILITIES				
Accounts payable	\$ 27,453	\$ 44,161	\$ 71,614	\$ -
Accrued liabilities	116,284	-	116,284	-
Accrued interest payable	5,096	21,288	26,384	-
Bank overdraft payable	-	230,482	230,482	-
Unearned revenue	2,643,592	-	2,643,592	-
Deposits held	-	97,800	97,800	-
Long-term liabilities:				
Due within one year	165,602	912,845	1,078,447	-
Due in more than one year	3,421,353	11,353,441	14,774,794	-
Total liabilities	\$ 6,379,380	\$ 12,660,017	\$ 19,039,397	\$ -
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue-property taxes	\$ 347,883	\$ -	\$ 347,883	\$ -
OPEB related items	103,087	6,137	109,224	-
Total deferred inflows of resources	\$ 450,970	\$ 6,137	\$ 457,107	\$ -
NET POSITION				
Net investment in capital assets	\$ 6,665,217	\$ 14,951,507	\$ 21,616,724	\$ -
Restricted for:				
Taylor park fund	73,162	-	73,162	-
Unrestricted	2,187,284	(628,495)	1,558,789	20,740
Total net position	\$ 8,925,663	\$ 14,323,012	\$ 23,248,675	\$ 20,740

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, 2021

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 1,045,353	\$ 345,862	\$ -	\$ -
Public safety	1,882,357	94,629	145,900	-
Public works	2,133,392	169,316	1,632,870	-
Parks, recreation, and cultural	61,753	-	4,500	-
Community development	1,225,749	4,675	881,012	-
Interest on long-term debt	31,646	-	-	-
Total governmental activities	\$ 6,380,250	\$ 614,482	\$ 2,664,282	\$ -
Business-type activities:				
Water	\$ 1,531,367	\$ 1,365,871	\$ -	\$ 23,486
Sewer	1,967,912	1,719,924	-	129,207
Total business-type activities	\$ 3,499,279	\$ 3,085,795	\$ -	\$ 152,693
Total primary government	\$ 9,879,529	\$ 3,700,277	\$ 2,664,282	\$ 152,693
COMPONENT UNITS:				
Economic Development Authority	\$ 829,260	\$ -	\$ 850,000	\$ -
General revenues and transfers:				
General property taxes				
Other local taxes:				
Local sales and use tax				
Consumers' utility tax				
Bank franchise tax				
Restaurant food tax				
Transient/occupancy tax				
Tobacco tax				
Other local taxes				
Unrestricted revenues from use of money and property				
Miscellaneous				
Grants and contributions not restricted to specific programs				
Total general revenues and transfers				
Change in net position				
Net position - beginning				
Net position - ending				

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Economic Development Authority
\$ (699,491)	\$ -	\$ (699,491)	\$ -
(1,641,828)	-	(1,641,828)	-
(331,206)	-	(331,206)	-
(57,253)	-	(57,253)	-
(340,062)	-	(340,062)	-
(31,646)	-	(31,646)	-
\$ (3,101,486)	\$ -	\$ (3,101,486)	\$ -
\$ -	\$ (142,010)	\$ (142,010)	\$ -
-	(118,781)	(118,781)	-
\$ -	\$ (260,791)	\$ (260,791)	\$ -
\$ (3,101,486)	\$ (260,791)	\$ (3,362,277)	\$ -
\$ -	\$ -	\$ -	\$ 20,740
\$ 805,289	\$ -	\$ 805,289	\$ -
301,318	-	301,318	-
232,921	-	232,921	-
176,177	-	176,177	-
1,288,825	-	1,288,825	-
120,948	-	120,948	-
82,800	-	82,800	-
113,454	-	113,454	-
27,834	778	28,612	-
50,175	180,029	230,204	-
267,679	-	267,679	-
\$ 3,467,420	\$ 180,807	\$ 3,648,227	\$ -
\$ 365,934	\$ (79,984)	\$ 285,950	\$ 20,740
8,559,729	14,402,996	22,962,725	-
\$ 8,925,663	\$ 14,323,012	\$ 23,248,675	\$ 20,740

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Fund Financial Statements

Balance Sheet
Governmental Funds
As of June 30, 2021

	General	Taylor Park	Capital Projects	Total
ASSETS				
Cash and cash equivalents	\$ 6,389,428	\$ -	\$ -	\$ 6,389,428
Receivables (net of allowance for uncollectibles):				
Taxes receivable	396,385	-	-	396,385
Other local revenues	195,992	-	-	195,992
Due from other funds	160,000	-	-	160,000
Due from other governmental units	461,992	-	-	461,992
Prepaid items	26,170	-	-	26,170
Restricted assets:				
Cash and cash equivalents	-	73,162	-	73,162
Total assets	<u>\$ 7,629,967</u>	<u>\$ 73,162</u>	<u>\$ -</u>	<u>\$ 7,703,129</u>
LIABILITIES				
Accounts payable	\$ 27,453	\$ -	\$ -	\$ 27,453
Accrued liabilities	116,284	-	-	116,284
Bank overdraft payable	-	-	47,981	47,981
Unearned revenue	<u>2,643,592</u>	<u>-</u>	<u>-</u>	<u>2,643,592</u>
Total liabilities	<u>\$ 2,787,329</u>	<u>\$ -</u>	<u>\$ 47,981</u>	<u>\$ 2,835,310</u>
DEFERRED INFLOWS				
Unavailable revenue - property taxes	<u>\$ 417,346</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 417,346</u>
FUND BALANCES				
Nonspendable:				
Prepaid items	\$ 26,170	\$ -	\$ -	\$ 26,170
Restricted:				
Taylor Park fund	-	73,162	-	73,162
Unassigned	<u>4,399,122</u>	<u>-</u>	<u>(47,981)</u>	<u>4,351,141</u>
Total fund balances	<u>\$ 4,425,292</u>	<u>\$ 73,162</u>	<u>\$ (47,981)</u>	<u>\$ 4,450,473</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 7,629,967</u>	<u>\$ 73,162</u>	<u>\$ -</u>	<u>\$ 7,703,129</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, 2021

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds		\$	4,450,473
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			7,256,089
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			69,463
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.			
Deferred charge on refunding	\$	13,078	
Pension related items		629,958	
OPEB related items		201,740	844,776
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	\$	(603,950)	
Accrued interest payable on long-term debt		(5,096)	
Net pension liability		(2,161,075)	
Net OPEB liabilities		(646,407)	
Compensated absences		(175,523)	(3,592,051)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.			
OPEB related items			(103,087)
Net position of governmental activities		\$	<u>8,925,663</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, 2021

	General	Taylor Park	Capital Projects	Total
REVENUES				
General property taxes	\$ 848,472	\$ -	\$ -	\$ 848,472
Other local taxes	2,316,443	-	-	2,316,443
Permits, privilege fees, and regulatory licenses	4,675	-	-	4,675
Fines and forfeitures	94,629	-	-	94,629
Revenue from the use of money and property	27,762	72	-	27,834
Charges for services	169,316	-	-	169,316
Miscellaneous	23,826	-	26,349	50,175
Recovered costs	24,985	-	-	24,985
Revenue from internal sources	345,862	-	-	345,862
Intergovernmental:				
Commonwealth	1,397,439	-	4,500	1,401,939
Federal	1,526,786	-	3,236	1,530,022
Total revenues	\$ 6,780,195	\$ 72	\$ 34,085	\$ 6,814,352
EXPENDITURES				
Current:				
General government administration	\$ 774,853	\$ -	\$ -	\$ 774,853
Public safety	1,720,515	-	-	1,720,515
Public works	1,685,359	-	-	1,685,359
Parks, recreation, and cultural	30,005	-	-	30,005
Community development	980,452	-	-	980,452
Nondepartmental	219,749	-	-	219,749
Capital outlay	854,800	-	33,503	888,303
Debt service:				
Principal retirement	143,350	-	-	143,350
Interest and other fiscal charges	13,850	-	-	13,850
Total expenditures	\$ 6,422,933	\$ -	\$ 33,503	\$ 6,456,436
Excess (deficiency) of revenues over (under) expenditures	\$ 357,262	\$ 72	\$ 582	\$ 357,916
Net change in fund balances	\$ 357,262	\$ 72	\$ 582	\$ 357,916
Fund balances - beginning	4,068,030	73,090	(48,563)	4,092,557
Fund balances - ending	\$ 4,425,292	\$ 73,162	\$ (47,981)	\$ 4,450,473

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, 2021

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

Net change in fund balances - total governmental funds	\$	357,916
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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	\$	736,839	
Depreciation expense		<u>(539,938)</u>	196,901

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(43,182)
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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	143,350
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in accrued interest payable	\$	1,210	
Change in compensated absences		(1,865)	
Change in pension related items		(250,081)	
Change in OPEB related items		(31,063)	
Amortization of deferred charge on refunding		<u>(7,252)</u>	<u>(289,051)</u>

Change in net position of governmental activities	\$	<u>365,934</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, 2021

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 759,191	\$ -	\$ 759,191
Accounts receivable (net of allowances for uncollectibles)	211,974	249,087	461,061
Restricted assets:			
Cash and cash equivalents	97,800	-	97,800
Due from other governmental units	-	14,185	14,185
Prepaid items	2,818	7,171	9,989
Total current assets	\$ 1,071,783	\$ 270,443	\$ 1,342,226
Noncurrent assets:			
Capital assets (net of accumulated depreciation):			
Land	\$ 160,251	\$ 88,041	\$ 248,292
Waste water treatment plant	-	19,330,571	19,330,571
Buildings	447,498	1,383,841	1,831,339
Equipment and improvements	1,636,584	948,995	2,585,579
Water storage facility	2,331,190	-	2,331,190
Construction in progress	15,000	-	15,000
Total capital assets, net	\$ 4,590,523	\$ 21,751,448	\$ 26,341,971
Total assets	\$ 5,662,306	\$ 22,021,891	\$ 27,684,197
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 101,606	\$ 107,436	\$ 209,042
OPEB related items	7,609	7,509	15,118
Total deferred outflows of resources	\$ 109,215	\$ 114,945	\$ 224,160
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	\$ 23,651	\$ 20,510	\$ 44,161
Accrued interest payable	16,843	4,445	21,288
Bank overdraft payable	-	989,673	989,673
Customer deposits held	97,800	-	97,800
Compensated absences, current portion	2,363	3,228	5,591
Bonds payable, current portion	127,800	779,454	907,254
Total current liabilities	\$ 268,457	\$ 1,797,310	\$ 2,065,767
Noncurrent liabilities:			
Due to other funds	\$ 160,000	\$ -	\$ 160,000
Net pension liability	348,217	368,557	716,774
Net OPEB liabilities	53,984	49,156	103,140
Compensated absences, net of current portion	21,263	29,054	50,317
Bonds payable, net of current portion	1,306,400	9,176,810	10,483,210
Total noncurrent liabilities	\$ 1,889,864	\$ 9,623,577	\$ 11,513,441
Total liabilities	\$ 2,158,321	\$ 11,420,887	\$ 13,579,208
DEFERRED INFLOWS OF RESOURCES			
OPEB related items	\$ 3,063	\$ 3,074	\$ 6,137
Total deferred inflows of resources	\$ 3,063	\$ 3,074	\$ 6,137
NET POSITION			
Net investment in capital assets	\$ 3,156,323	\$ 11,795,184	\$ 14,951,507
Unrestricted	453,814	(1,082,309)	(628,495)
Total net position	\$ 3,610,137	\$ 10,712,875	\$ 14,323,012

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, 2021

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
OPERATING REVENUES			
Charges for services:			
Charges for services and connection fees	\$ 1,365,871	\$ 1,719,924	\$ 3,085,795
Miscellaneous	41,752	138,277	180,029
Total operating revenues	\$ 1,407,623	\$ 1,858,201	\$ 3,265,824
OPERATING EXPENSES			
Personnel services	\$ 339,860	\$ 394,962	\$ 734,822
Fringe benefits	226,146	170,811	396,957
Contractual services/maintenance	46,933	101,488	148,421
Materials and supplies	288,478	345,829	634,307
Utilities	129,873	128,876	258,749
Internal services	187,734	158,128	345,862
Other charges	10,632	7,628	18,260
Depreciation	259,925	649,163	909,088
Total operating expenses	\$ 1,489,581	\$ 1,956,885	\$ 3,446,466
Operating income (loss)	\$ (81,958)	\$ (98,684)	\$ (180,642)
NONOPERATING REVENUES (EXPENSES)			
Interest earned	\$ 778	\$ -	\$ 778
Interest and fiscal charges	(41,786)	(11,027)	(52,813)
Total nonoperating revenues (expenses)	\$ (41,008)	\$ (11,027)	\$ (52,035)
Income (loss) before capital contributions and grants	\$ (122,966)	\$ (109,711)	\$ (232,677)
Capital contributions and grants	\$ 23,486	\$ 129,207	\$ 152,693
Change in net position	\$ (99,480)	\$ 19,496	\$ (79,984)
Net position - beginning	3,709,617	10,693,379	14,402,996
Net position - ending	\$ 3,610,137	\$ 10,712,875	\$ 14,323,012

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

Statement of Cash Flows
 Proprietary Funds
 For the Year Ended June 30, 2021

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,392,540	\$ 1,849,160	\$ 3,241,700
Payments to suppliers	(643,472)	(642,756)	(1,286,228)
Payments to and on behalf of employees	(532,788)	(548,175)	(1,080,963)
Net cash provided by (used for) operating activities	\$ 216,280	\$ 658,229	\$ 874,509
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	\$ (15,000)	\$ -	\$ (15,000)
Capital contributions	23,486	129,207	152,693
Principal payments on bonds	(116,600)	(775,354)	(891,954)
Interest payments	(43,066)	(12,082)	(55,148)
Net cash provided by (used for) capital and related financing activities	\$ (151,180)	\$ (658,229)	\$ (809,409)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	\$ 778	\$ -	\$ 778
Net increase (decrease) in cash and cash equivalents	\$ 65,878	\$ -	\$ 65,878
Cash and cash equivalents - beginning (including restricted)	791,113	-	791,113
Cash and cash equivalents - ending (including restricted)	\$ 856,991	\$ -	\$ 856,991
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (81,958)	\$ (98,684)	\$ (180,642)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation expense	259,925	649,163	909,088
Changes in operating assets, deferred outflows of resources, liabilities, and deferred inflows of resources:			
(Increase) decrease in receivables	(15,083)	(9,041)	(24,124)
(Increase) decrease in due from other governmental units	-	(9,628)	(9,628)
(Increase) decrease in prepaid items	509	438	947
(Increase) decrease in deferred outflows of resources	(29,730)	(31,345)	(61,075)
Increase (decrease) in accounts payable and accrued expenses	19,669	16,836	36,505
Increase (decrease) in bank overdraft payable	-	91,547	91,547
Increase (decrease) in net pension liability	73,458	77,748	151,206
Increase (decrease) in net OPEB liabilities	3,799	2,555	6,354
Increase (decrease) in compensated absences	(5,644)	3,920	(1,724)
Increase (decrease) in deferred inflows of resources	(8,665)	(35,280)	(43,945)
Net cash provided by (used for) operating activities	\$ 216,280	\$ 658,229	\$ 874,509

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

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021

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 one component unit - the Town of Orange Economic Development Authority (EDA). The EDA was created to encourage and provide financing for economic development in the Town. The EDA's directors are appointed by the Town Council and the Town is financially accountable for the EDA in that it provides local funding for the EDA's activities. It is authorized to acquire, own, lease, and dispose of properties to the extent that such activities foster and stimulate economic development. The EDA is presented as a proprietary fund type and does not issue separate financial statements.

Related Organizations

The Town has no related organizations.

Jointly Governed Organizations

The Town has no jointly governed organizations.

B. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

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

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

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

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

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

- a. General Fund

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

- b. Capital Projects Fund

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

- c. Special Revenue Funds

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

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

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

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

Enterprise Funds

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

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

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.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

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

D. Budgets and Budgetary Accounting: (Continued)

7. Appropriations lapse on June 30 for all Town units.
8. All budgetary data presented in the accompanying financial statements is as amended and approved by Town Council.
9. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to commit that portion of the applicable appropriations, is not part of the Town's accounting system.

Excess expenditures over appropriations:

Fund	Excess of Expenditures Over Appropriations
General	
Public Safety	\$ 58,422
Parks, Recreation, and Cultural	3,005
Community Development	849,970
Nondepartmental	6,278
Capital Projects	33,503
Total	\$ 951,178

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, 2021, the allowances amounted to \$14,531 for property taxes, \$89,934 for water charges and \$132,873 for sewer charges.

F. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. For purposes of the statement of cash flows, the government's proprietary funds consider their demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

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

G. Restricted Assets

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

H. Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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 multiple 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 two items are comprised of certain items related to the measurement of the net pension and OPEB liabilities and contributions to the pension and OPEB plans made during the current year and subsequent to the measurement dates. For more detailed information on these items, reference the related notes.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

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

I. Deferred Outflows/Inflows of Resources: (Continued)

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 multiple 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 and OPEB liabilities are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

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. 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.

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

M. Use of Estimates

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

N. Prepaid Items

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

O. Net Position

The difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes, and other debt that are attributable 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 included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

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 with a maturity of less than one year when purchased, non-negotiable certificates of deposit, other nonparticipating investments, and external investment pools are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

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

R. Fund Balance

The Town reports fund balance in accordance with GASB standards. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

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

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

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

S. Pensions

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

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

T. Other Postemployment Benefits (OPEB)

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

U. Upcoming Pronouncements

Statement No. 87, *Leases*, increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

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

NOTE 2—DEPOSITS AND INVESTMENTS:

Deposits:

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

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

Investments:

Statutes authorize local governments and other public bodies 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 that has received at least two of the following ratings: P-1 by Moody’s Investors Service, Inc.; A-1 by Standard and Poor’s; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), 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, 2021 were held by the Town or in the Town’s name by the Town’s custodial banks.

Town’s Rated Debt Investments			
Rated Debt Investments Value	Fair Quality Ratings		
	AAAm	AA+f/S1	
Local Government Investment Pool	\$ 9,117	\$ -	
Virginia Investment Pool	370,586	162,130	
Total	\$ 379,703	\$ 162,130	

Interest Rate Risk:

The Town reports investments and the maturities as follows:

Investment Type	Investment Maturity*		
	Value	Less than 1	1-5 Years
Local Government Investment Pool	\$ 9,117	\$ 9,117	\$ -
Virginia Investment Pool	532,716	370,586	162,130
Total investments	\$ 541,833	\$ 379,703	\$ 162,130

* Weighted average maturity in years.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

External Investment Pool:

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

Redemption Restrictions:

VML/VACO Virginia Investment Pool (VIP) allows the Town to withdraw funds twice a month, with a five-day notice. Additionally, funds are available to meet unexpected needs such as fluctuations in revenue sources and one-time events such as disasters, immediate capital needs, state budget cuts, etc.

Fair Value Measurements:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Town has measured fair value of its VIP investment at the net asset value.

NOTE 3—DUE FROM OTHER GOVERNMENTS:

Commonwealth of Virginia:		
Communications tax	\$	20,288
Auto rental tax		2,517
Nutrient exchange		14,185
Federal:		
Highway construction		384,622
County of Orange:		
Local Sales Tax		54,565
Total	\$	<u>476,177</u>

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

NOTE 4—CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2021 was as follows:

	Balance July 1, 2020	Additions	Retirements	Balance June 30, 2021
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,147,466	\$ -	\$ -	\$ 1,147,466
Construction in progress	218,018	736,839	(954,857)	-
Total capital assets, not being depreciated	\$ 1,365,484	\$ 736,839	\$ (954,857)	\$ 1,147,466
Capital assets, being depreciated:				
Buildings	\$ 3,125,805	\$ -	\$ -	\$ 3,125,805
Equipment and improvements	3,551,383	-	-	3,551,383
Road systems	6,271,994	954,857	-	7,226,851
Total capital assets being depreciated	\$ 12,949,182	\$ 954,857	\$ -	\$ 13,904,039
Less accumulated depreciation for:				
Buildings	\$ (1,265,375)	\$ (80,215)	\$ -	\$ (1,345,590)
Equipment and improvements	(3,167,760)	(143,594)	-	(3,311,354)
Road systems	(2,822,343)	(316,129)	-	(3,138,472)
Total accumulated depreciation	\$ (7,255,478)	\$ (539,938)	\$ -	\$ (7,795,416)
Total capital assets, being depreciated, net	\$ 5,693,704	\$ 414,919	\$ -	\$ 6,108,623
Governmental activities capital assets, net	\$ 7,059,188	\$ 1,151,758	\$ (954,857)	\$ 7,256,089

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

NOTE 4—CAPITAL ASSETS: (CONTINUED)

	Balance July 1, 2020	Additions	Retirements	Balance June 30, 2021
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 248,292	\$ -	\$ -	\$ 248,292
Construction in progress	-	15,000	-	15,000
Total capital assets, not being depreciated	\$ 248,292	\$ 15,000	\$ -	\$ 263,292
Capital assets, being depreciated:				
Buildings	\$ 4,431,352	\$ -	\$ -	\$ 4,431,352
Wastewater treatment plant	24,163,214	-	-	24,163,214
Equipment and improvements	11,063,588	-	-	11,063,588
Water storage facility	3,807,196	-	-	3,807,196
Total capital assets being depreciated	\$ 43,465,350	\$ -	\$ -	\$ 43,465,350
Less accumulated depreciation for:				
Buildings	\$ (2,511,139)	\$ (88,874)	\$ -	\$ (2,600,013)
Wastewater treatment plant	(4,349,378)	(483,265)	-	(4,832,643)
Equipment and improvements	(8,236,240)	(241,769)	-	(8,478,009)
Water storage facility	(1,380,826)	(95,180)	-	(1,476,006)
Total accumulated depreciation	\$ (16,477,583)	\$ (909,088)	\$ -	\$ (17,386,671)
Total capital assets, being depreciated, net	\$ 26,987,767	\$ (909,088)	\$ -	\$ 26,078,679
Business-type activities capital assets, net	\$ 27,236,059	\$ (894,088)	\$ -	\$ 26,341,971

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

NOTE 4—CAPITAL ASSETS: (CONTINUED)

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

Governmental activities:	
General government administration	\$ 148,765
Public safety	35,427
Public works	352,452
Parks, recreation and cultural	<u>3,294</u>
Total depreciation expense - governmental activities	\$ <u>539,938</u>
Business-type activities:	
Water	\$ 259,925
Sewer	<u>649,163</u>
Total depreciation expense - business-type activities	\$ <u>909,088</u>

NOTE 5—LONG-TERM OBLIGATIONS:Governmental Activities:Changes in Long-term Obligations:

The following is a summary of long-term obligation transactions of the Town for the year ended June 30, 2021:

	<u>Balance July 1, 2020</u>	<u>Issuances/ Increases</u>	<u>Retirements/ Decreases</u>	<u>Balance June 30, 2021</u>
Net Pension Liability (Note 7)	\$ 1,705,187	\$ 899,613	\$ 443,725	\$ 2,161,075
Net OPEB Liabilities (Note 11)	591,895	265,166	210,654	646,407
Compensated Absences (Note 6)	173,658	1,865	-	175,523
Direct borrowings and direct placements:				
General Obligation Bonds	<u>747,300</u>	<u>-</u>	<u>143,350</u>	<u>603,950</u>
Total	\$ <u>3,218,040</u>	\$ <u>1,166,644</u>	\$ <u>797,729</u>	\$ <u>3,586,955</u>

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

NOTE 5—LONG-TERM OBLIGATIONS: (CONTINUED)

Governmental Activities: (Continued)

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

Year Ending June 30,	Direct Borrowings and Direct Placements	
	Bonds	
	Principal	Interest
2022	\$ 148,050	\$ 10,863
2023	150,400	4,984
2024	150,400	4,721
2025	155,100	1,590
Total	\$ 603,950	\$ 22,158

Details of Long-term Obligations:

	Total Amount	Amount Due Within One Year
<u>Direct Borrowings and Direct Placements:</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.	\$ 603,950	\$ 148,050
Net pension liability (Note 7)	2,161,075	-
Compensated absences (Note 6)	175,523	17,552
Net OPEB liabilities (Note 11)	646,407	-
Total governmental activities long-term obligations	\$ 3,586,955	\$ 165,602

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

NOTE 5—LONG-TERM OBLIGATIONS: (CONTINUED)

Business-type Activities:

Changes in Long-term Obligations:

	Balance July 1, 2020	Issuances/ Increases	Retirements/ Decreases	Balance June 30, 2021
Net Pension Liability (Note 7)	\$ 565,568	\$ 298,380	\$ 147,174	\$ 716,774
Net OPEB Liabilities (Note 11)	96,786	21,272	14,918	103,140
Compensated Absences (Note 6)	57,632	-	1,724	55,908
Direct borrowings and direct placements:				
General Obligation Bonds	2,202,700	-	241,650	1,961,050
Revenue Bonds	10,079,718	-	650,304	9,429,414
Total	<u>\$ 13,002,404</u>	<u>\$ 319,652</u>	<u>\$ 1,055,770</u>	<u>\$ 12,266,286</u>

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

Year Ending June 30,	Direct Borrowings and Direct Placements	
	Bonds	
	Principal	Interest
2022	\$ 907,254	\$ 49,347
2023	909,904	40,062
2024	909,904	37,110
2025	915,204	30,924
2026	750,304	26,403
2027-2031	3,776,524	87,025
2032-2036	3,221,370	13,201
Total	<u>\$ 11,390,464</u>	<u>\$ 284,072</u>

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (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>Direct Borrowings and Direct Placements:</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.	\$ 9,429,414	\$ 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.	654,650	129,150
\$1,845,000 General obligation bonds issued July 22, 2013 payable in semi-annual principal payments beginning February 1, 2014 ranging from \$35,000 to \$60,000 and semi-annual interest payments at 2.95%. Final payment due August 1, 2033.	1,306,400	127,800
Total bonds payable	\$ 11,390,464	\$ 907,254
Net pension liability (Note 7)	\$ 716,774	-
Compensated absences (Note 6)	55,908	5,591
Net OPEB liabilities (Note 11)	103,140	-
Total business-type long-term obligations	\$ 12,266,286	\$ 912,845

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

NOTE 6—COMPENSATED ABSENCES:

In accordance with GASB standards, 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 \$175,523 and the Enterprise Funds have outstanding accrued leave pay of \$55,908.

NOTE 7—PENSION PLAN:

Plan Description

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

Benefit Structures

The System administers three different benefit structures for covered employees - Plan 1, Plan 2 and Hybrid. Each of these benefit structures has different eligibility criteria, as detailed below.

- a. Employees with a membership date before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- b. Employees with a membership date from July 1, 2010 to December 31, 2013, who have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before January 1, 2013, are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

Benefit Structures: (Continued)

- c. Non-hazardous duty employees with a membership date on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service credit equals 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total service credit. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.70% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. 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.

Cost-of-Living Adjustment (COLA) in Retirement and Death and Disability Benefits

Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of service credit are eligible for an annual COLA beginning July 1 after one full calendar year from the retirement date. Retirees with a reduced benefit and who have less than 20 years of service credit are eligible for an annual COLA beginning on July 1 after one calendar year following the unreduced retirement eligibility date. Under Plan 1, the COLA cannot exceed 5.00%. Under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

Employees Covered by Benefit Terms

As of the June 30, 2019 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	43
Inactive members:	
Vested inactive members	19
Non-vested inactive members	25
Inactive members active elsewhere in VRS	<u>48</u>
Total inactive members	92
Active members	<u>46</u>
Total covered employees	<u><u>181</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.

The Town's contractually required employer contribution rate for the year ended June 30, 2021 was 16.84% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

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 \$399,375 and \$308,344 for the years ended June 30, 2021 and June 30, 2020, respectively.

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. The Town's net pension liabilities were measured as of June 30, 2020. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (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, 2019, 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, 2020.

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.35%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation*

* Administrative expenses as a percent of the fair 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of pension liabilities.

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees: (Continued)

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2019, 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, 2020.

Inflation	2.50%
Salary increases, including inflation	3.50% - 4.75%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation*

* Administrative expenses as a percent of the fair 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of pension liabilities.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non Largest 10) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (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)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	<u>100.00%</u>		<u>4.64%</u>
		Inflation	<u>2.50%</u>
		Expected arithmetic nominal return*	<u>7.14%</u>

* The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. 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. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Town was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2020, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. From July 1, 2020 on, participating employers and school divisions are assumed to continue 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, 2019	\$ 10,345,078	\$ 8,074,323	\$ 2,270,755
Changes for the year:			
Service cost	\$ 312,007	\$ -	\$ 312,007
Interest	686,112	-	686,112
Differences between expected and actual experience	194,596	-	194,596
Contributions - employer	-	307,660	(307,660)
Contributions - employee	-	127,953	(127,953)
Net investment income	-	155,285	(155,285)
Benefit payments, including refunds of employee contributions	(360,922)	(360,922)	-
Administrative expenses	-	(5,090)	5,090
Other changes	-	(187)	187
Net changes	\$ 831,793	\$ 224,699	\$ 607,094
Balances at June 30, 2020	\$ 11,176,871	\$ 8,299,022	\$ 2,877,849

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (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 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Town's Net Pension Liability	\$ 4,421,906	\$ 2,877,849	\$ 1,605,565

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

For the year ended June 30, 2021, the Town recognized pension expense of \$697,480. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 132,915	\$ -
Changes in assumptions	58,461	-
Net difference between projected and actual earnings on pension plan investments	248,249	-
Employer contributions subsequent to the measurement date	399,375	-
Total	<u>\$ 839,000</u>	<u>\$ -</u>

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: (Continued)

\$399,375 reported as deferred outflows of resources related to pensions resulting from the Town's contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	
2022	\$ 185,022
2023	94,067
2024	82,020
2025	78,516

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

NOTE 8—DEFERRED/UNAVAILABLE REVENUE:

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

Unavailable Property Tax Revenue - Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$387,124 (including 2nd ½ tax billings of \$317,661 not due until December 5) at June 30, 2021.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2021 but paid in advance by the taxpayers totaled \$30,222 at June 30, 2021.

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.

There were no transfers between the General Fund and the enterprise funds during the fiscal year.

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—OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Health Insurance - Pay-As-You-Go:

Plan Description

In addition to the pension benefits described in Note 7, the Town administers a single-employer defined benefit healthcare plan. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the Town’s pension plans. The plan does not issue a publicly available financial report.

Benefits Provided

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

Plan Membership

At July 1, 2020 (the valuation date) the following employees were covered by the benefit terms:

Total active employees with coverage	<u>45</u>
Total	<u><u>45</u></u>

Contributions

The Town does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the Town. The amount paid by the Town for OPEB as the benefits came due during the year ended June 30, 2021 was \$0.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

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

Total OPEB Liability

The Town's total OPEB liability was measured as of June 30, 2021. The total OPEB liability was determined by an actuarial valuation as of July 1, 2020.

Actuarial Assumptions

The total OPEB liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50% per year as of June 30, 2021
Salary Increases	The salary increase rate starts at 5.35% salary increase (4.75% for law enforcement) for one year of service and gradually declines to 3.50% salary increase for twenty or more years of service.
Discount Rate	1.92% per year as of June 30, 2021

Mortality rates for were based on the PUB-2010 headcounts with generational mortality improvements using scale MP-2019.

The date of the most recent actuarial experience study on which significant assumptions were based is October 25, 2019.

Discount Rate

The discount rate used to determine the liabilities under GASB 75 is based on an index rate for 20-year tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. This rate was 1.92% as of June 30, 2021.

Changes in Total OPEB Liability

		<u>Total OPEB Liability</u>
Balances at June 30, 2020	\$	<u>186,973</u>
Changes for the year:		
Service cost	\$	15,723
Interest		4,574
Difference between expected and actual experience		(549)
Changes in assumptions		8,257
Net changes	\$	<u>28,005</u>
Balances at June 30, 2021	\$	<u><u>214,978</u></u>

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

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

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

The following amounts present the total OPEB liability of the Town, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower 0.92% or one percentage point higher 2.92% than the current discount rate:

Rate		
1% Decrease (0.92%)	Current Discount Rate (1.92%)	1% Increase (2.92%)
\$ 230,637	\$ 214,978	\$ 199,469

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Town, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

Rates		
1% Decrease (3.00%)	Current Trend Rate (4.00%)	1% Increase (5.00%)
\$ 186,016	\$ 214,978	\$ 249,224

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

For the year ended June 30, 2021, the Town recognized OPEB expense in the amount of \$22,334. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 10,052	\$ 471
Changes in assumptions	11,481	8,439
Total	<u>\$ 21,533</u>	<u>\$ 8,910</u>

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

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

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

<u>Year Ended June 30</u>	
2022	\$ 2,037
2023	2,037
2024	2,037
2025	2,039
2026	3,377
Thereafter	1,096

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

Group Life Insurance (GLI) Plan

Plan Description

The Group Life Insurance (GLI) Plan was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI Plan upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

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

The specific information for GLI OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

The GLI Plan was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the plan. Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Group Life Insurance (GLI) Plan: (Continued)

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,616 as of June 30, 2021.

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2021 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Plan from the entity were \$13,066 and \$11,970 for the years ended June 30, 2021 and June 30, 2020, respectively.

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

At June 30, 2021, the entity reported a liability of \$186,576 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2020 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the participating employer's proportion was 0.01118% as compared to 0.01170% at June 30, 2019.

For the year ended June 30, 2021, the participating employer recognized GLI OPEB expense of \$4,373. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Group Life Insurance (GLI) Plan: (Continued)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB (Continued)

At June 30, 2021, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 11,967	\$ 1,676
Net difference between projected and actual earnings on GLI OPEB plan investments	5,605	-
Change in assumptions	9,331	3,896
Changes in proportionate share	1,884	14,580
Employer contributions subsequent to the measurement date	<u>13,066</u>	<u>-</u>
Total	<u>\$ 41,853</u>	<u>\$ 20,152</u>

\$13,066 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2022	\$ 68
2023	1,651
2024	3,590
2025	3,711
2026	(201)
Thereafter	(184)

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Group Life Insurance (GLI) Plan: (Continued)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2019, 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, 2020. The assumptions include several employer groups. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

Inflation	2.50%
Salary increases, including inflation:	
Locality - General employees	3.50%-5.35%
Locality - Hazardous Duty employees	3.50%-4.75%
Investment rate of return	6.75%, net of investment expenses, including inflation*

*Administrative expenses as a percent of the fair 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of OPEB liabilities.

Mortality Rates - Non-Largest Ten Locality Employers - General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Group Life Insurance (GLI) Plan: (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Non-Largest Ten Locality Employers - General Employees (Continued)

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Group Life Insurance (GLI) Plan: (Continued)

Actuarial Assumptions: (Continued)

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the plan's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2020, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

		Group Life Insurance OPEB Plan
Total GLI OPEB Liability	\$	3,523,937
Plan Fiduciary Net Position		1,855,102
Employers' Net GLI OPEB Liability (Asset)	\$	1,668,835
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		52.64%

The total GLI OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Group Life Insurance (GLI) Plan: (Continued)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	100.00%		4.64%
		Inflation	2.50%
		Expected arithmetic nominal return	7.14%

*The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Group Life Insurance (GLI) Plan: (Continued)

Discount Rate: (Continued)

member rate. Through the fiscal year ended June 30, 2020, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2020 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

The following presents the employer's proportionate share of the net GLI OPEB liability using the discount rate of 6.75%, as well as what the employer's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
Town's proportionate share of the Group Life Insurance Plan Net OPEB Liability	\$ 245,269	\$ 186,576	\$ 138,913

GLI Program Fiduciary Net Position

Detailed information about the GLI Plan's Fiduciary Net Position is available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Line of Duty Act (LODA) Program:

Plan Description

The Virginia Retirement System (VRS) Line of Duty Act Program (LODA) was established pursuant to §9.1-400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The LODA Program provides death and health insurance benefits to eligible state employees and local government employees, including volunteers, who die or become disabled as a result of the performance of their duties as a public safety officer. In addition, health insurance benefits are provided to eligible survivors and family members. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System). Participating employers made contributions to the program beginning in FY 2012. The employer contributions are determined by the System's actuary using anticipated program costs and the number of covered individuals associated with all participating employers.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

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

The specific information for the LODA Program OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

All paid employees and volunteers in hazardous duty positions in Virginia localities as well as hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS) are automatically covered by the LODA Program.

Benefit Amounts

The LODA program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows: \$100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after; \$25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date; or an additional \$20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001.

The LODA program also provides health insurance benefits. Prior to July 1, 2017, these benefits were managed through the various employer plans and maintained the benefits that existed prior to the employee's death or disability. These premiums were reimbursed to the employer by the LODA program. Beginning July 1, 2017, the health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health Benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors and family members. Individuals receiving the health insurance benefits must continue to meet eligibility requirements as defined by the LODA.

Contributions

The contribution requirements for the LODA Program are governed by §9.1-400.1 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the LODA Program for the year ended June 30, 2021 was \$717.31 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the LODA Program from the entity were \$11,118 and \$11,292 for the years ended June 30, 2021 and June 30, 2020, respectively.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

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

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

At June 30, 2021, the entity reported a liability of \$347,993 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2020 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The entity's proportion of the Net LODA OPEB Liability was based on the entity's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2020 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2020, the entity's proportion was 0.08039% as compared to 0.08677% at June 30, 2019.

For the year ended June 30, 2021, the entity recognized LODA OPEB expense of \$32,473. Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2021, the entity reported deferred outflows of resources and deferred inflows of resources related to the LODA OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 36,940	\$ 47,443
Net difference between projected and actual earnings on LODA OPEB program investments	-	495
Change in assumptions	93,161	21,685
Changes in proportionate share	12,253	10,539
Employer contributions subsequent to the measurement date	<u>11,118</u>	<u>-</u>
Total	<u>\$ 153,472</u>	<u>\$ 80,162</u>

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

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

LODA OPEB Liabilities, LODA OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the LODA OPEB: (Continued)

\$11,118 reported as deferred outflows of resources related to the LODA OPEB resulting from the entity's contributions subsequent to the measurement date will be recognized as a reduction of the Net LODA OPEB Liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2022	\$ 8,767
2023	8,859
2024	8,956
2025	8,985
2026	9,016
Thereafter	17,609

Actuarial Assumptions

The total LODA OPEB liability was based on an actuarial valuation as of June 30, 2019, 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, 2020. The assumptions include several employer groups. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

Inflation	2.50%
Salary increases, including inflation:	
Locality employees	N/A
Medical cost trend rates assumption:	
Under age 65	7.00%-4.75%
Ages 65 and older	5.375%-4.75%
Year of ultimate trend rate	
Under age 65	Fiscal year ended 2028
Ages 65 and older	Fiscal year ended 2023
Investment rate of return	2.21%, including inflation

Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.50% was used since it approximates the risk-free rate of return.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

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

Actuarial Assumptions: (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

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

Net LODA OPEB Liability

The net OPEB liability (NOL) for the LODA Program represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2020, NOL amounts for the LODA Program are as follows (amounts expressed in thousands):

	LODA Program
Total LODA OPEB Liability	\$ 423,147
Plan Fiduciary Net Position	4,333
Employers' Net OPEB Liability	<u>\$ 418,814</u>
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	1.02%

The total LODA OPEB liability is calculated by the System’s actuary, and each plan’s fiduciary net position is reported in the System’s financial statements. The net OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System’s notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

The long-term expected rate of return on LODA OPEB Program’s investments was set at 2.21% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments 6.75% assumption. Instead, the assumed annual rate of return of 2.21% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2020.

Discount Rate

The discount rate used to measure the total LODA OPEB liability was 2.21%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2020, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

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

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

The following presents the covered employer's proportionate share of the net LODA OPEB liability using the discount rate of 2.21%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.21%) or one percentage point higher (3.21%) than the current rate:

	Discount Rate		
	1% Decrease (1.21%)	Current (2.21%)	1% Increase (3.21%)
Town's proportionate share of the LODA net OPEB liability	\$ 413,063	\$ 347,993	\$ 298,945

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

Because the LODA Program contains a provision for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the covered employer's proportionate share of the net LODA OPEB liability using the health care trend rate of 7.00% decreasing to 4.75%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a health care trend rate that is one percentage point lower (6.00% decreasing to 3.75%) or one percentage point higher (8.00% decreasing to 5.75%) than the current rate:

	Health Care Trend Rates		
	1% Decrease (6.00% decreasing to 3.75%)	Current (7.00% decreasing to 4.75%)	1% Increase (8.00% decreasing to 5.75%)
Town's proportionate share of the LODA net OPEB liability	\$ 287,628	\$ 347,993	\$ 426,951

LODA OPEB Fiduciary Net Position

Detailed information about the LODA Program Fiduciary Net Position is available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2021 (Continued)

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Summary of Net OPEB Liabilities, Deferred Outflows and Inflows of Resources, and Expenses:

	Net OPEB Liability	Deferred Outflows	Deferred Inflows	OPEB Expense
VRS OPEB Plans:				
Group Life Insurance Plan	\$ 186,576	\$ 41,853	\$ 20,152	\$ 4,373
Line of Duty Act Plan	347,993	153,472	80,162	32,473
Health Insurance - Pay-As-You-Go	214,978	21,533	8,910	22,334
Totals	<u>\$ 749,547</u>	<u>\$ 216,858</u>	<u>\$ 109,224</u>	<u>\$ 59,180</u>

NOTE 12—COVID-19 PANDEMIC SUBSEQUENT EVENT:

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency stemming from a new strain of coronavirus that was spreading globally (the “COVID-19 outbreak”). On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, triggering volatility in financial markets and a significant negative impact on the global economy. The COVID-19 pandemic has developed rapidly in 2020 and remains a quickly evolving situation. As a result of the spread of COVID-19, economic uncertainties have arisen which are likely to negatively impact economic activity. The Town is not able to estimate the effects of the COVID-19 pandemic for fiscal year 2022.

On March 11, 2021, the American Rescue Plan Act of 2021 (ARPA) was passed by the federal government. A primary component of ARPA was the establishment of the Coronavirus State and Local Fiscal Recovery Fund (CSLFRF). Local governments are to receive funds in two tranches, with half provided beginning in May 2021 and the balance delivered approximately 12 months later. The Town received the first half of its CSLFRF funds in June 2021. Unspent funds from the initial allocation in the amount of \$2,643,592 are reported as unearned revenue as of June 30, 2021. Any CSLFRF funds unobligated by December 31, 2024 and unexpended by December 31, 2026 must be returned to the federal government.

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, 2021

	General Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
General property taxes	\$ 845,500	\$ 845,500	\$ 848,472	\$ 2,972
Other local taxes/revenues	2,230,600	2,230,600	2,316,443	85,843
Permits, fees, and regulatory licenses	2,600	2,600	4,675	2,075
Fines and forfeitures	80,000	80,000	94,629	14,629
Revenues from use of money and property	16,740	16,740	27,762	11,022
Charges for services	168,512	168,512	169,316	804
Miscellaneous	(113,805)	158,107	23,826	(134,281)
Recovered costs	20,000	20,000	24,985	4,985
Revenue from internal sources	339,677	339,677	345,862	6,185
Intergovernmental revenues:				
Commonwealth	1,618,795	1,618,795	1,397,439	(221,356)
Federal	2,000	550,733	1,526,786	976,053
Total revenues	\$ 5,210,619	\$ 6,031,264	\$ 6,780,195	\$ 748,931
EXPENDITURES				
Current:				
General government administration	\$ 772,221	\$ 776,721	\$ 774,853	\$ 1,868
Public safety	1,662,093	1,662,093	1,720,515	(58,422)
Public works	1,739,506	1,782,806	1,685,359	97,447
Parks, recreation, and cultural	27,000	27,000	30,005	(3,005)
Community development	130,482	130,482	980,452	(849,970)
Nondepartmental	213,627	213,471	219,749	(6,278)
Capital projects	508,489	1,281,334	854,800	426,534
Debt service:				
Principal	143,350	143,350	143,350	-
Interest and finance charges	13,851	14,007	13,850	157
Total expenditures	\$ 5,210,619	\$ 6,031,264	\$ 6,422,933	\$ (391,669)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 357,262	\$ 357,262
Net change in fund balances	\$ -	\$ -	\$ 357,262	\$ 357,262
Fund Balance at Beginning of Year	-	-	4,068,030	4,068,030
Fund Balance at End of Year	\$ -	\$ -	\$ 4,425,292	\$ 4,425,292

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
For the Measurement Dates of June 30, 2014 through June 30, 2020

	2020	2019	2018	2017	2016	2015	2014
Total pension liability							
Service cost	\$ 312,007	\$ 299,300	\$ 281,679	\$ 281,532	\$ 323,066	\$ 319,585	\$ 224,518
Interest	686,112	637,545	599,024	562,059	524,852	458,693	431,065
Changes in benefit terms	-	-	-	-	-	416,043	-
Differences between expected and actual experience	194,596	151,296	38,568	187,833	46,647	91,586	-
Changes of assumptions	-	329,802	-	(149,862)	-	-	-
Benefit payments	(360,922)	(361,313)	(376,607)	(330,387)	(395,687)	(285,864)	(235,941)
Net change in total pension liability	\$ 831,793	\$ 1,056,630	\$ 542,664	\$ 551,175	\$ 498,878	\$ 1,000,043	\$ 419,642
Total pension liability - beginning	10,345,078	9,288,448	8,745,784	8,194,609	7,695,731	6,695,688	6,276,046
Total pension liability - ending (a)	\$ 11,176,871	\$ 10,345,078	\$ 9,288,448	\$ 8,745,784	\$ 8,194,609	\$ 7,695,731	\$ 6,695,688
Plan fiduciary net position							
Contributions - employer	\$ 307,660	\$ 308,187	\$ 301,386	\$ 284,672	\$ 256,860	\$ 275,028	\$ 209,608
Contributions - employee	127,953	112,670	113,708	109,433	110,576	118,347	125,102
Net investment income	155,285	509,593	516,602	756,868	105,976	265,333	771,541
Benefit payments	(360,922)	(361,313)	(376,607)	(330,387)	(395,687)	(285,864)	(235,941)
Administrator charges	(5,090)	(4,811)	(4,336)	(4,217)	(3,714)	(3,462)	(4,035)
Other	(187)	(321)	(467)	(680)	(45)	(56)	41
Net change in plan fiduciary net position	\$ 224,699	\$ 564,005	\$ 550,286	\$ 815,689	\$ 73,966	\$ 369,326	\$ 866,316
Plan fiduciary net position - beginning	8,074,323	7,510,318	6,960,032	6,144,343	6,070,377	5,701,051	4,834,735
Plan fiduciary net position - ending (b)	\$ 8,299,022	\$ 8,074,323	\$ 7,510,318	\$ 6,960,032	\$ 6,144,343	\$ 6,070,377	\$ 5,701,051
Town's net pension liability - ending (a) - (b)	\$ 2,877,849	\$ 2,270,755	\$ 1,778,130	\$ 1,785,752	\$ 2,050,266	\$ 1,625,354	\$ 994,637
Plan fiduciary net position as a percentage of the total pension liability	74.25%	78.05%	80.86%	79.58%	74.98%	78.88%	85.15%
Covered payroll	\$ 2,301,901	\$ 2,293,927	\$ 2,314,522	\$ 2,180,643	\$ 2,205,029	\$ 2,344,581	\$ 2,330,120
Town's net pension liability as a percentage of covered payroll	125.02%	98.99%	76.82%	81.89%	92.98%	69.32%	42.69%

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

Schedule of Employer Contributions - Pension
 For the Years Ended June 30, 2012 through June 30, 2021

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2021	\$ 399,375	\$ 399,375	\$ -	\$ 2,419,701	16.51%
2020	308,344	308,344	-	2,301,901	13.40%
2019	310,630	310,630	-	2,293,927	13.54%
2018	301,386	301,386	-	2,314,522	13.02%
2017	289,371	289,371	-	2,180,643	13.27%
2016	259,091	259,091	-	2,205,029	11.75%
2015	275,488	275,488	-	2,344,581	11.75%
2014	209,711	209,711	-	2,330,120	9.00%
2013	204,222	204,222	-	2,269,129	9.00%
2012	120,108	120,108	-	2,140,967	5.61%

Notes to Required Supplementary Information - Pension
For the Year Ended June 30, 2021

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

Changes of assumptions - The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

All Others (Non 10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Schedule of Changes in Total OPEB Liability - Health Insurance
For the Years Ended June 30, 2018 through June 30, 2021

	2021	2020	2019	2018
Total OPEB liability				
Service cost	\$ 15,723	\$ 11,874	\$ 10,627	\$ 8,877
Interest	4,574	5,017	4,982	5,366
Differences between expected and actual experience	(549)	14,074	-	-
Changes in assumptions	8,257	(4,279)	7,047	(10,766)
Net change in total OPEB liability	\$ 28,005	\$ 26,686	\$ 22,656	\$ 3,477
Total OPEB liability - beginning	186,973	160,287	137,631	134,154
Total OPEB liability - ending	\$ 214,978	\$ 186,973	\$ 160,287	\$ 137,631

This schedule is intended to show information for 10 years. Additional years will be included as they become available.

Notes to Required Supplementary Information - OPEB - Health Insurance
For the Year Ended June 30, 2021

Valuation Date: July 1, 2020
Measurement Date: June 30, 2021

No assets are accumulated in a trust that meets the criteria in GASB 75 to pay related benefits.

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry Age Normal, Level Percentage of Pay.
Discount Rate	1.92% as of June 30, 2021.
Inflation	2.50% per year as of June 30, 2021.
Healthcare Trend Rates	The healthcare trend rate assumptions vary by year and range between 4.00% and 5.20%.
Salary Increase Rates	The salary increase rate starts at 5.35% salary increase (4.75% for law enforcement) for one year of service and gradually declines to 3.50% salary increase for twenty or more years of service.
Mortality Rates	The mortality rates for were calculated using the Pub-2010 headcounts with generational mortality improvements using scale MP-2019.

Schedule of Town's Share of Net OPEB Liability - Group Life Insurance
 For the Measurement Dates of June 30, 2017 through June 30, 2020

Date	Employer's Proportion of the Net GLI OPEB Liability	Employer's Proportionate Share of the Net GLI OPEB Liability (a)	Employer's Covered Payroll (b)	Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of Covered Payroll (a)/(b)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability
2020	0.01118% \$	186,576	\$ 2,301,948	8.11%	52.64%
2019	0.01170%	190,390	2,293,927	8.30%	52.00%
2018	0.01223%	186,000	2,324,991	8.00%	51.22%
2017	0.01195%	180,000	2,203,103	8.17%	48.86%

This schedule is intended to show information for 10 years. However, information prior to the 2017 valuation is not available. Additional years will be included as they become available.

Schedule of Employer Contributions - Group Life Insurance
For the Years Ended June 30, 2012 through June 30, 2021

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2021	\$ 13,066	\$ 13,066	\$ -	\$ 2,419,701	0.54%
2020	11,970	11,970	-	2,301,948	0.52%
2019	11,928	11,928	-	2,293,927	0.52%
2018	12,090	12,090	-	2,324,991	0.52%
2017	11,456	11,456	-	2,203,103	0.52%
2016	10,584	10,584	-	2,205,029	0.48%
2015	11,254	11,254	-	2,344,581	0.48%
2014	11,185	11,185	-	2,330,120	0.48%
2013	10,892	10,892	-	2,269,129	0.48%
2012	5,995	5,995	-	2,140,967	0.28%

Notes to Required Supplementary Information - Group Life Insurance
For the Year Ended June 30, 2021

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

Changes of assumptions - The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Schedule of Town's Share of Net OPEB Liability - LODA

For the Measurement Dates of June 30, 2017 through June 30, 2020

Date	Town's Proportion of the Net LODA OPEB Liability	Town's Proportionate Share of the Net LODA OPEB Liability	Plan Fiduciary Net Position as a Percentage of Total LODA OPEB Liability
2020	0.08309% \$	347,993	1.02%
2019	0.08677%	311,319	0.79%
2018	0.08524%	267,000	0.60%
2017	0.08417%	221,000	1.30%

The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of the employees in the OPEB plan. However, when volunteers and part-time employees make up a significant percentage of the employer's members in the plan, the employer may determine that covered-employee payroll is misleading and, therefore, not applicable for disclosure.

This schedule is intended to show information for 10 years. However, information prior to the 2017 valuation is not available. Additional years will be included as they become available.

Schedule of Employer Contributions - LODA
 For the Years Ended June 30, 2018 through June 30, 2021

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)
2021	\$ 11,118	\$ 11,118	\$ -
2020	11,292	11,292	-
2019	11,645	11,645	-
2018	9,078	9,078	-

The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of employees in the OPEB plan. However, when volunteers and part-time employees make up a significant percentage of the employer's members in the plan, the employer may determine that covered-employee payroll is misleading and, therefore, not applicable for disclosure.

This schedule is intended to show information for 10 years. However, information prior to the 2017 valuation is not available. Additional years will be included as they become available.

Notes to Required Supplementary Information - LODA
For the Year Ended June 30, 2021

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

Changes of assumptions - The actuarial assumptions used in the June 30, 2019 valuation were based on results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%

Other Supplementary Information

Statement of Net Position - Proprietary Fund
Discretely Presented Component Unit - Economic Development Authority
As of June 30, 2021

	<u>Proprietary Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ <u>20,740</u>
 Total assets	 \$ <u><u>20,740</u></u>
NET POSITION	
Unrestricted	\$ <u>20,740</u>
 Total net position	 \$ <u><u>20,740</u></u>

Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund
Discretely Presented Component Unit - Economic Development Authority
For the Year Ended June 30, 2021

	<u>Proprietary Fund</u>
OPERATING EXPENSES	
Local business support	\$ <u>829,260</u>
Total operating expenses	\$ <u>829,260</u>
Operating income (loss)	\$ <u>(829,260)</u>
Income (loss) before transfers	\$ <u>(829,260)</u>
Noncapital contributions and grants	\$ <u>850,000</u>
Change in net position	\$ 20,740
Net position - beginning	<u>-</u>
Net position - ending	\$ <u><u>20,740</u></u>

Statement of Cash Flows - Proprietary Fund
Discretely Presented Component Unit - Economic Development Authority
For the Year Ended June 30, 2021

	Proprietary Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Payments to suppliers	\$ <u>(829,260)</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES	
Noncapital contributions and grants	\$ <u>850,000</u>
Net increase (decrease) in cash and cash equivalents	\$ 20,740
Cash and cash equivalents - beginning	<u>-</u>
Cash and cash equivalents - ending	\$ <u><u>20,740</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ <u>(829,260)</u>
Net cash provided by (used for) operating activities	\$ <u><u>(829,260)</u></u>

Supporting Schedules

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2021

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	\$ 635,000	\$ 635,000	\$ 615,108	\$ (19,892)
Personal property taxes	177,500	177,500	202,523	25,023
Public service corporation taxes	33,000	33,000	30,841	(2,159)
Total general property taxes	\$ 845,500	\$ 845,500	\$ 848,472	\$ 2,972
Other local taxes/revenues:				
Local sales and use taxes	\$ 230,000	\$ 230,000	\$ 301,318	\$ 71,318
Consumers' utility taxes	234,600	234,600	232,921	(1,679)
Electric consumption taxes	17,000	17,000	15,621	(1,379)
Motor vehicle licenses	88,000	88,000	97,724	9,724
Bank franchise taxes	175,000	175,000	176,177	1,177
Restaurant food taxes	1,250,000	1,250,000	1,288,825	38,825
Business licenses	3,500	3,500	109	(3,391)
Transient/occupancy taxes	150,000	150,000	120,948	(29,052)
Cigarette taxes	82,500	82,500	82,800	300
Total other local taxes/revenues	\$ 2,230,600	\$ 2,230,600	\$ 2,316,443	\$ 85,843
Permits, fees, and regulatory licenses:				
Planning and development fees	\$ 2,500	\$ 2,500	\$ 4,675	\$ 2,175
Construction permits/fees	100	100	-	(100)
Total permits, fees, and regulatory licenses	\$ 2,600	\$ 2,600	\$ 4,675	\$ 2,075
Fines and forfeitures:				
Court fines and forfeitures	\$ 80,000	\$ 80,000	\$ 94,629	\$ 14,629
Revenue from use of money and property:				
Revenue from use of money	\$ 12,000	12,000	\$ 6,903	\$ (5,097)
Revenue from use of property	4,740	4,740	20,859	16,119
Total revenue from use of money and property	\$ 16,740	\$ 16,740	\$ 27,762	\$ 11,022
Charges for services:				
Refuse collection	\$ 149,000	\$ 149,000	\$ 150,908	\$ 1,908
Transit fees	19,512	19,512	18,408	(1,104)
Total charges for services	\$ 168,512	\$ 168,512	\$ 169,316	\$ 804

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2021 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from Local Sources: (Continued)				
Miscellaneous:				
Reserve funds	\$ (145,755)	\$ 126,157	\$ -	\$ (126,157)
Administrative fees	7,000	7,000	1,622	(5,378)
Proceeds from the sale of surplus property	-	-	12,000	12,000
Proceeds from the sale of recycled material	-	-	2,302	2,302
Revenue refunds	24,400	24,400	6,672	(17,728)
Miscellaneous	550	550	1,230	680
Total miscellaneous	\$ (113,805)	\$ 158,107	\$ 23,826	\$ (134,281)
Recovered costs:				
Expenditure refunds	\$ 20,000	\$ 20,000	\$ 24,985	\$ 4,985
Revenue from internal sources:				
Internal charges	\$ 339,677	\$ 339,677	\$ 345,862	\$ 6,185
Total revenue from local sources	\$ 3,589,824	\$ 3,861,736	\$ 3,855,970	\$ (5,766)
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	\$ 7,000	\$ 7,000	\$ 6,616	\$ (384)
Motor vehicle carriers' tax	45,000	45,000	38,784	(6,216)
Skill games fees	-	-	2,592	2,592
Communications tax	184,404	184,404	130,072	(54,332)
Personal property tax relief funds	89,615	89,615	89,615	-
Total noncategorical aid	\$ 326,019	\$ 326,019	\$ 267,679	\$ (58,340)
Categorical aid:				
State Highway Funds	\$ 972,000	\$ 972,000	\$ 984,471	\$ 12,471
VDOT Revenue Sharing	187,351	187,351	-	(187,351)
Aid to localities with police departments	114,584	114,584	124,670	10,086
Fire Program Grants	16,341	16,341	17,994	1,653
Litter Control Grant	2,500	2,500	2,625	125
Total categorical aid	\$ 1,292,776	\$ 1,292,776	\$ 1,129,760	\$ (163,016)
Total revenue from the Commonwealth	\$ 1,618,795	\$ 1,618,795	\$ 1,397,439	\$ (221,356)
Revenue from the Federal Government:				
Categorical aid:				
Communities Facilities Loans and Grants	\$ 2,000	\$ 2,000	\$ -	\$ (2,000)
Highway construction	-	548,733	645,774	97,041
Coronavirus relief funds	-	-	881,012	881,012
Total categorical aid	\$ 2,000	\$ 550,733	\$ 1,526,786	\$ 976,053
Total revenue from the federal government	\$ 2,000	\$ 550,733	\$ 1,526,786	\$ 976,053
Total General Fund	\$ 5,210,619	\$ 6,031,264	\$ 6,780,195	\$ 748,931

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2021 (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	\$ -	\$ -	\$ 72	\$ 72
Total revenue from local sources	\$ -	\$ -	\$ 72	\$ 72
Total Taylor Park Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72</u>	<u>\$ 72</u>
Capital Projects Fund:				
Revenue from local sources:				
Miscellaneous:				
Other miscellaneous	\$ -	\$ -	\$ 26,349	\$ 26,349
Total revenue from local sources	\$ -	\$ -	\$ 26,349	\$ 26,349
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Virginia Arts Commission	\$ -	\$ -	\$ 4,500	\$ 4,500
Total categorical aid	\$ -	\$ -	\$ 4,500	\$ 4,500
Total revenue from the Commonwealth	\$ -	\$ -	\$ 4,500	\$ 4,500
Revenue from the federal government:				
Categorical aid:				
Byrne Memorial Grant	\$ -	\$ -	\$ 3,236	\$ 3,236
Total categorical aid	\$ -	\$ -	\$ 3,236	\$ 3,236
Total revenue from the federal government	\$ -	\$ -	\$ 3,236	\$ 3,236
Total Capital Projects Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,085</u>	<u>\$ 34,085</u>
Total Primary Government	<u>\$ 5,210,619</u>	<u>\$ 6,031,264</u>	<u>\$ 6,814,352</u>	<u>\$ 783,088</u>

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2021

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Town Council	\$ 48,131	\$ 48,131	\$ 46,355	\$ 1,776
General and financial administration:				
Town manager	\$ 314,751	\$ 319,251	\$ 315,691	\$ 3,560
Professional services	38,500	38,500	31,341	7,159
Treasurer/finance	370,839	370,839	381,466	(10,627)
Total general and financial administration	\$ 724,090	\$ 728,590	\$ 728,498	\$ 92
Total general government administration	\$ 772,221	\$ 776,721	\$ 774,853	\$ 1,868
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 1,605,752	\$ 1,605,752	\$ 1,662,521	\$ (56,769)
Fire and rescue services:				
Volunteer fire departments	\$ 56,341	\$ 56,341	\$ 57,994	\$ (1,653)
Total fire and rescue services	\$ 56,341	\$ 56,341	\$ 57,994	\$ (1,653)
Total public safety	\$ 1,662,093	\$ 1,662,093	\$ 1,720,515	\$ (58,422)
Public works:				
Streets and general maintenance	\$ 1,418,442	\$ 1,451,742	\$ 1,323,540	\$ 128,202
Refuse collection and disposal	154,251	154,251	193,850	(39,599)
Municipal building	48,219	48,219	52,991	(4,772)
Depot	16,000	26,000	12,384	13,616
TOOT	102,594	102,594	102,594	-
Total public works	\$ 1,739,506	\$ 1,782,806	\$ 1,685,359	\$ 97,447
Parks, recreation, and cultural:				
Parks and recreation	\$ 27,000	\$ 27,000	\$ 30,005	\$ (3,005)
Total parks, recreation, and cultural	\$ 27,000	\$ 27,000	\$ 30,005	\$ (3,005)

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2021 (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	\$ 130,482	\$ 130,482	\$ 130,452	\$ 30
Contribution to Economic Development Authority	-	-	850,000	(850,000)
Total community development	\$ 130,482	\$ 130,482	\$ 980,452	\$ (849,970)
Nondepartmental:				
Insurance	\$ 41,221	\$ 41,221	\$ 42,415	\$ (1,194)
Revenue refunds	-	-	2,524	(2,524)
Contractual services	27,400	27,400	18,470	8,930
Bank service charges	12,500	12,500	11,753	747
Miscellaneous	1,400	1,400	17,387	(15,987)
Donations	131,106	130,950	127,200	3,750
Total nondepartmental	\$ 213,627	\$ 213,471	\$ 219,749	\$ (6,278)
Capital expenditures:				
Capital outlay	\$ 508,489	\$ 1,281,334	\$ 854,800	\$ 426,534
Debt service:				
Principal	\$ 143,350	\$ 143,350	\$ 143,350	\$ -
Interest	13,851	14,007	13,850	157
Total debt service	\$ 157,201	\$ 157,357	\$ 157,200	\$ 157
Total General Fund	\$ 5,210,619	\$ 6,031,264	\$ 6,422,933	\$ (391,669)
Capital Projects Fund:				
Capital projects expenditures	\$ -	\$ -	\$ 33,503	\$ (33,503)
Total Capital Projects Fund	\$ -	\$ -	\$ 33,503	\$ (33,503)
Total Primary Government	\$ 5,210,619	\$ 6,031,264	\$ 6,456,436	\$ (425,172)

Statistical Section

Contents

Tables

Financial Trends

These tables contain trend information to help the reader understand how the the Town's financial performance and well-being have changed over time.

1 - 6

Revenue Capacity

These tables contain information to help the reader assess the factors affecting the Town's ability to generate its property and sales taxes.

7 - 9

Debt Capacity

These tables present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue debt in the future.

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Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year.

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Governmental activities										
Net investment in capital assets	\$ 3,458,415	\$ 3,493,408	\$ 4,343,194	\$ 6,426,911	\$ 6,879,703	\$ 6,812,449	\$ 6,646,598	\$ 6,576,496	\$ 6,332,218	\$ 6,665,217
Restricted	134,670	110,059	110,273	110,491	110,688	108,489	108,919	72,721	73,090	73,162
Unrestricted	2,940,650	3,807,987	3,262,813	1,886,857	1,552,399	1,298,911	1,589,401	1,938,793	2,154,421	2,187,284
Total governmental activities net position	\$ 6,533,735	\$ 7,411,454	\$ 7,716,280	\$ 8,424,259	\$ 8,542,790	\$ 8,219,849	\$ 8,344,918	\$ 8,588,010	\$ 8,559,729	\$ 8,925,663
Business-type activities										
Net investment in capital assets	\$ 15,193,913	\$ 15,080,241	\$ 15,130,074	\$ 15,035,677	\$ 14,968,510	\$ 14,907,763	\$ 14,863,253	\$ 14,938,357	\$ 14,953,642	\$ 14,951,507
Restricted	68,639	-	-	-	-	-	-	-	-	-
Unrestricted	886,604	248,257	692,690	175,815	75,741	(127,184)	(482,137)	(471,349)	(550,646)	(628,495)
Total business-type activities net position	\$ 16,149,156	\$ 15,328,498	\$ 15,822,764	\$ 15,211,492	\$ 15,044,251	\$ 14,780,579	\$ 14,381,116	\$ 14,467,008	\$ 14,402,996	\$ 14,323,012
Primary government										
Net investment in capital assets	\$ 18,652,328	\$ 18,573,649	\$ 19,473,268	\$ 21,462,588	\$ 21,848,213	\$ 21,720,212	\$ 21,509,851	\$ 21,514,853	\$ 21,285,860	\$ 21,616,724
Restricted	203,309	110,059	110,273	110,491	110,688	108,489	108,919	72,721	73,090	73,162
Unrestricted	3,827,254	4,056,244	3,955,503	2,062,672	1,628,140	1,171,727	1,107,264	1,467,444	1,603,775	1,558,789
Total primary government net position	\$ 22,682,891	\$ 22,739,952	\$ 23,539,044	\$ 23,635,751	\$ 23,587,041	\$ 23,000,428	\$ 22,726,034	\$ 23,055,018	\$ 22,962,725	\$ 23,248,675
Component unit - Economic Development Authority										
Unrestricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,740
Total component unit net position	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,740

The Economic Development Authority did not become a component unit until fiscal year 2021. Information prior to 2021 is not provided.

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Expenses										
Primary government:										
Governmental activities:										
General government administration	\$ 898,399	\$ 775,161	\$ 854,920	\$ 856,706	\$ 979,006	\$ 875,454	\$ 1,107,261	\$ 897,957	\$ 1,086,760	\$ 1,045,353
Public safety	1,377,427	1,455,083	1,510,652	1,552,517	1,639,762	1,527,727	1,554,318	1,606,968	1,716,475	1,882,357
Public works	1,905,767	1,699,846	1,736,332	2,228,490	1,979,808	2,653,300	2,743,120	2,147,876	2,261,178	2,133,392
Parks, recreation and cultural	60,559	71,913	52,195	58,421	50,109	47,917	50,018	82,372	64,607	61,753
Community development	207,866	237,908	221,693	246,980	343,595	355,813	355,054	377,524	360,272	1,225,749
Interest on long-term debt	71,701	67,167	14,114	61,723	56,142	51,715	49,495	44,416	39,421	31,646
Total governmental activities expenses	\$ 4,521,719	\$ 4,307,078	\$ 4,389,906	\$ 5,004,837	\$ 5,048,422	\$ 5,511,926	\$ 5,859,266	\$ 5,157,113	\$ 5,528,713	\$ 6,380,250
Business-type activities:										
Water	\$ 1,540,247	\$ 1,564,437	\$ 1,449,285	\$ 1,561,035	\$ 1,414,969	\$ 1,511,899	\$ 1,596,581	\$ 1,450,047	\$ 1,520,511	\$ 1,531,367
Sewer	1,735,986	1,795,538	1,961,749	1,823,607	1,869,725	1,837,446	1,787,301	1,833,551	1,843,391	1,967,912
Water and sewer capital improvements	69,960	-	-	-	-	-	-	-	-	-
Sewer capital improvements	76,820	-	-	-	-	-	-	-	-	-
Total business-type activities expenses	\$ 3,423,013	\$ 3,359,975	\$ 3,411,034	\$ 3,384,642	\$ 3,284,694	\$ 3,349,345	\$ 3,383,882	\$ 3,283,598	\$ 3,363,902	\$ 3,499,279
Total primary government expenses	\$ 7,944,732	\$ 7,667,053	\$ 7,800,940	\$ 8,389,479	\$ 8,333,116	\$ 8,861,271	\$ 9,243,148	\$ 8,440,711	\$ 8,892,615	\$ 9,879,529
Component unit:										
Economic Development Authority	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 829,260
Total component unit expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 829,260
Program Revenues										
Primary government:										
Governmental activities:										
Charges for services:										
General government administration	\$ 291,948	\$ 298,030	\$ 303,288	\$ 309,120	\$ 315,072	\$ 317,016	\$ 325,716	\$ 332,820	\$ 339,677	\$ 345,862
Public safety	75,808	58,887	85,679	66,913	62,056	84,083	75,938	92,549	112,562	94,629
Public works	50,475	103,681	107,498	94,358	82,964	172,940	163,491	192,994	181,578	169,316
Community development	5,858	5,401	811	3,300	2,430	1,775	3,010	1,263	9,250	4,675
Operating grants and contributions	863,290	895,487	970,366	1,551,123	1,074,655	1,257,792	2,228,546	1,348,307	1,381,427	2,664,282
Capital grants and contributions	223,805	11,164	413,670	1,394,645	335,279	-	-	-	-	-
Total governmental activities program revenues	\$ 1,511,184	\$ 1,372,650	\$ 1,881,312	\$ 3,419,459	\$ 1,872,456	\$ 1,833,606	\$ 2,796,701	\$ 1,967,933	\$ 2,024,494	\$ 3,278,764
Business-type activities:										
Charges for services:										
Water	\$ 1,152,332	\$ 1,372,441	\$ 1,282,238	\$ 1,298,513	\$ 1,313,480	\$ 1,174,447	\$ 1,252,490	\$ 1,301,768	\$ 1,280,293	\$ 1,365,871
Sewer	1,261,087	1,406,808	1,613,061	1,632,961	1,640,701	1,640,330	1,675,269	1,669,355	1,724,398	1,719,924
Capital grants and contributions	20,265	196,023	34,505	7,500	71,149	207,644	18,330	40,564	79,247	152,693
Total business-type activities program revenues	\$ 2,433,684	\$ 2,975,272	\$ 2,929,804	\$ 2,938,974	\$ 3,025,330	\$ 3,022,421	\$ 2,946,089	\$ 3,011,687	\$ 3,083,938	\$ 3,238,488
Total primary government program revenues	\$ 3,944,868	\$ 4,347,922	\$ 4,811,116	\$ 6,358,433	\$ 4,897,786	\$ 4,856,027	\$ 5,742,790	\$ 4,979,620	\$ 5,108,432	\$ 6,517,252
Component unit:										
Economic Development Authority	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 850,000
Operating grants and contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 850,000
Total component unit revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 850,000
Net (expense) / revenue										
Primary government:										
Governmental activities										
Business-type activities	\$ (3,010,535)	\$ (2,934,428)	\$ (2,508,594)	\$ (1,585,378)	\$ (3,175,966)	\$ (3,678,320)	\$ (3,062,565)	\$ (3,189,180)	\$ (3,504,219)	\$ (3,101,486)
	(989,329)	(384,703)	(481,230)	(445,668)	(259,364)	(326,924)	(437,793)	(271,911)	(279,964)	(260,791)
Total primary government net (expense)/revenue	\$ (3,999,864)	\$ (3,319,131)	\$ (2,989,824)	\$ (2,031,046)	\$ (3,435,330)	\$ (4,005,244)	\$ (3,500,358)	\$ (3,461,091)	\$ (3,784,183)	\$ (3,362,277)
Component unit:										
Economic Development Authority	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,740
Total component unit net (expense)/revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,740

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Revenues and Other Changes in Net Position										
Primary government:										
Governmental activities:										
Taxes:										
Property taxes	\$ 668,032	\$ 741,887	\$ 689,485	\$ 759,925	\$ 728,639	\$ 878,002	\$ 869,356	\$ 872,952	\$ 913,444	\$ 805,289
Local sales and use taxes	321,262	345,208	355,692	241,507	197,533	225,086	229,204	231,072	252,390	301,318
Restaurant food taxes	1,007,295	1,058,059	1,032,790	1,096,455	1,152,548	1,164,425	1,199,380	1,289,772	1,249,067	1,288,825
Consumers' utility taxes	230,107	226,271	233,804	233,334	239,301	219,739	234,574	240,652	237,885	232,921
Other local taxes	474,172	468,037	533,451	639,211	525,518	500,846	593,302	512,307	478,824	493,379
Unrestricted grants and contributions	409,005	414,664	411,818	138,536	304,340	308,556	309,463	289,990	284,720	267,679
Unrestricted revenues from use of money and property	8,764	17,034	12,138	11,422	19,514	11,622	12,490	25,776	17,896	27,834
Miscellaneous	10,334	24,881	32,723	24,998	127,104	12,977	23,657	68,910	81,500	35,873
Gain (loss) on the disposal of assets	23,249	9,748	17,877	63,219	-	34,126	6,705	7,486	22,910	14,302
Transfers	-	506,358	(506,358)	-	-	-	-	-	(62,698)	-
Total governmental activities	\$ 3,152,220	\$ 3,812,147	\$ 2,813,420	\$ 3,208,607	\$ 3,294,497	\$ 3,355,379	\$ 3,478,131	\$ 3,538,917	\$ 3,475,938	\$ 3,467,420
Business-type activities:										
Unrestricted revenues from use of money and property	\$ 1,893	\$ 2,632	\$ 1,519	\$ 1,572	\$ 1,688	\$ 1,618	\$ 3,250	\$ 5,789	\$ 3,981	\$ 778
Miscellaneous	55,554	67,771	172,761	149,277	90,435	61,634	60,737	245,369	149,273	180,029
Transfers	-	(506,358)	506,358	-	-	-	-	-	62,698	-
Total business-type activities	\$ 57,447	\$ (435,955)	\$ 680,638	\$ 150,849	\$ 92,123	\$ 63,252	\$ 63,987	\$ 251,158	\$ 215,952	\$ 180,807
Total primary government	\$ 3,209,667	\$ 3,376,192	\$ 3,494,058	\$ 3,359,456	\$ 3,386,620	\$ 3,418,631	\$ 3,542,118	\$ 3,790,075	\$ 3,691,890	\$ 3,648,227
Change in Net Position										
Primary government:										
Governmental activities	\$ 141,685	\$ 877,719	\$ 304,826	\$ 1,623,229	\$ 118,531	\$ (322,941)	\$ 415,566	\$ 349,737	\$ (28,281)	\$ 365,934
Business-type activities	(931,882)	(820,658)	199,408	(294,819)	(167,241)	(263,672)	(373,806)	(20,753)	(64,012)	(79,984)
Total primary government	\$ (790,197)	\$ 57,061	\$ 504,234	\$ 1,328,410	\$ (48,710)	\$ (586,613)	\$ 41,760	\$ 328,984	\$ (92,293)	\$ 285,950
Component unit:										
Economic Development Authority	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,740
Total component unit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,740

The Economic Development Authority did not become a component unit until fiscal year 2021. Information prior to 2021 is not provided.

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

Fiscal Year	Property Tax	Local Sales and Use Tax	Consumers' Utility Tax	Restaurant Food Tax	Other Local Taxes	Total
2021	\$ 848,472	\$ 301,318	\$ 232,921	\$ 1,288,825	\$ 493,379	\$ 3,164,915
2020	913,444	252,390	237,885	1,249,067	478,824	3,131,610
2019	872,952	231,072	240,652	1,289,772	512,307	3,146,755
2018	869,356	229,204	234,574	1,199,380	593,302	3,125,816
2017	878,002	225,086	219,739	1,164,425	500,846	2,988,098
2016	729,128	197,533	239,301	1,152,548	525,518	2,844,028
2015	759,925	241,507	233,334	1,096,455	463,045	2,794,266
2014	689,485	355,692	233,804	1,032,790	533,451	2,845,222
2013	741,887	345,208	226,271	1,058,059	468,037	2,839,462
2012	668,032	321,262	230,107	1,007,295	474,172	2,700,868

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General fund										
Nonspendable	\$ -	\$ -	\$ 34,623	\$ 9,862	\$ 14,294	\$ 37,151	\$ 34,349	\$ 30,917	\$ 32,479	\$ 26,170
Restricted	27,392	2,392	2,392	2,392	2,392	-	-	-	-	-
Unassigned	2,972,253	3,863,499	3,362,635	2,823,770	2,933,891	2,707,406	3,503,942	3,810,970	4,035,551	4,399,122
Total general fund	<u>\$ 2,999,645</u>	<u>\$ 3,865,891</u>	<u>\$ 3,399,650</u>	<u>\$ 2,836,024</u>	<u>\$ 2,950,577</u>	<u>\$ 2,744,557</u>	<u>\$ 3,538,291</u>	<u>\$ 3,841,887</u>	<u>\$ 4,068,030</u>	<u>\$ 4,425,292</u>
All other governmental funds										
Restricted										
Taylor park fund	\$ 107,278	\$ 107,667	\$ 107,881	\$ 108,099	\$ 108,296	\$ 108,489	\$ 108,919	\$ 72,721	\$ 73,090	\$ 73,162
Assigned										
Capital projects fund	133,804	124,313	119,093	98,029	-	-	-	-	-	-
Unassigned										
Capital projects fund	-	-	-	-	(5,573)	(33,032)	(61,238)	(45,421)	(48,563)	(47,981)
Total all other governmental funds	<u>\$ 241,082</u>	<u>\$ 231,980</u>	<u>\$ 226,974</u>	<u>\$ 206,128</u>	<u>\$ 102,723</u>	<u>\$ 75,457</u>	<u>\$ 47,681</u>	<u>\$ 27,300</u>	<u>\$ 24,527</u>	<u>\$ 25,181</u>
Total fund balance, governmental funds	<u>\$ 3,240,727</u>	<u>\$ 4,097,871</u>	<u>\$ 3,626,624</u>	<u>\$ 3,042,152</u>	<u>\$ 3,053,300</u>	<u>\$ 2,820,014</u>	<u>\$ 3,585,972</u>	<u>\$ 3,869,187</u>	<u>\$ 4,092,557</u>	<u>\$ 4,450,473</u>

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenues										
General property taxes	\$ 660,003	\$ 723,149	\$ 738,725	\$ 731,855	\$ 729,128	\$ 836,044	\$ 875,217	\$ 882,249	\$ 839,730	\$ 848,472
Other local taxes	2,032,836	2,097,575	2,155,737	2,034,341	2,114,900	2,110,096	2,256,460	2,273,803	2,218,166	2,316,443
Permits, privilege fees and regulatory licenses	5,868	5,401	811	3,300	2,430	1,775	3,010	1,263	9,250	4,675
Fines and forfeitures	75,798	58,887	85,679	66,913	62,056	84,083	75,938	92,549	112,562	94,629
Revenue from use of money and property	8,764	17,034	11,658	11,422	10,079	11,622	12,490	25,776	17,896	27,834
Charges for services	50,475	103,681	107,498	94,358	82,964	172,940	163,491	192,994	181,578	169,316
Miscellaneous	33,583	34,629	50,600	32,952	148,468	47,104	30,361	76,396	104,410	50,175
Recovered costs	3,042	11,448	13,723	149,332	23,758	59,928	26,448	61,055	12,301	24,985
Revenue from internal sources	291,948	298,030	303,288	309,120	315,072	317,016	325,716	332,820	339,677	345,862
Intergovernmental revenues:										
Commonwealth	1,388,593	1,317,347	1,686,080	1,865,825	1,374,592	1,566,348	2,538,009	1,532,605	1,626,085	1,401,939
Federal	107,507	3,968	-	1,394,645	339,682	-	-	105,692	40,062	1,530,022
Total revenues	\$ 4,658,417	\$ 4,671,149	\$ 5,153,799	\$ 6,694,063	\$ 5,203,129	\$ 5,206,956	\$ 6,307,140	\$ 5,577,202	\$ 5,501,717	\$ 6,814,352
Expenditures										
General government administration	\$ 627,534	\$ 627,697	\$ 652,017	\$ 675,657	\$ 759,721	\$ 687,550	\$ 719,645	\$ 726,049	\$ 718,885	\$ 774,853
Public safety	1,369,728	1,370,094	1,421,949	1,485,085	1,394,255	1,453,981	1,575,768	1,537,340	1,559,848	1,720,515
Public works	1,712,926	1,658,561	1,802,964	2,040,264	1,629,591	1,688,096	1,613,496	1,611,253	1,610,575	1,685,359
Parks, recreation and cultural	23,033	27,856	22,495	28,721	21,629	26,623	28,724	61,078	30,889	30,005
Community development	124,330	119,154	133,579	160,680	110,555	120,146	121,418	133,296	119,082	130,452
Non-departmental	160,793	186,764	181,148	202,871	213,362	214,299	217,970	216,580	292,849	219,749
Capital projects	361,531	277,418	729,606	2,553,360	870,320	1,055,138	1,016,859	725,353	580,860	888,303
Debt service										
Principal	115,887	118,237	147,425	233,598	162,127	167,402	223,086	156,762	285,896	143,350
Interest and other fiscal charges	70,824	66,817	27,077	33,299	30,421	27,007	24,216	19,631	16,765	13,850
Total expenditures	\$ 4,566,586	\$ 4,452,598	\$ 5,118,260	\$ 7,413,535	\$ 5,191,981	\$ 5,440,242	\$ 5,541,182	\$ 5,187,342	\$ 5,215,649	\$ 5,606,436
Excess of revenues over (under) expenditures	\$ 91,831	\$ 218,551	\$ 35,539	\$ (719,472)	\$ 11,148	\$ (233,286)	\$ 765,958	\$ 389,860	\$ 286,068	\$ 1,207,916
Other financing sources (uses)										
Transfers in	\$ -	\$ 506,358	\$ (506,358)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers out	-	-	-	-	-	-	-	(106,645)	(62,698)	(850,000)
Issuance of capital leases	48,478	132,235	-	135,000	-	-	-	-	-	-
Issuance of refunding bond	-	-	1,445,250	-	-	-	-	-	-	-
Payment to bond escrow agent	-	-	(1,440,672)	-	-	-	-	-	-	-
Total other financing sources (uses)	\$ 48,478	\$ 638,593	\$ (501,780)	\$ 135,000	\$ -	\$ -	\$ -	\$ (106,645)	\$ (62,698)	\$ (850,000)
Net change in fund balances	\$ 140,309	\$ 857,144	\$ (466,241)	\$ (584,472)	\$ 11,148	\$ (233,286)	\$ 765,958	\$ 283,215	\$ 223,370	\$ 357,916
Debt service as a percentage of noncapital expenditures	4.84%	4.87%	4.33%	6.08%	4.92%	4.89%	6.09%	4.34%	7.49%	3.62%

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
2021	\$	848,472	\$	2,316,443	\$	4,675	\$	94,629	\$	27,834
2020		839,730		2,218,166		9,250		112,562		17,896
2019		882,249		2,273,803		1,263		92,549		25,776
2018		875,217		2,256,460		3,010		75,938		12,490
2017		836,044		2,110,096		1,775		84,083		11,622
2016		729,128		2,114,900		2,430		62,056		10,079
2015		731,855		2,034,341		3,300		66,913		11,422
2014		738,725		2,155,737		811		85,679		11,658
2013		723,149		2,097,575		5,401		58,887		16,531
2012		660,003		2,032,836		5,868		75,798		8,659

- 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
\$	169,316	\$	24,985	\$	50,175	\$	2,931,961	\$	6,468,490
	181,578		12,301		104,410		1,666,147		5,162,040
	192,994		61,055		76,396		1,638,297		5,244,382
	163,491		26,448		30,361		2,538,009		5,981,424
	172,940		59,928		47,104		1,566,348		4,889,940
	82,964		23,758		148,468		1,714,274		4,888,057
	94,358		149,332		32,952		3,260,470		6,384,943
	107,498		13,723		353,888		1,686,080		5,153,799
	103,681		11,448		332,659		1,265,947		4,615,278
	50,475		3,042		325,531		1,358,180		4,520,392

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
2021	\$ 402,206,968	\$ 42,089,203	\$ 19,446,129	\$ 463,742,300	463,742,300	100.00%
2020	403,082,247	45,409,042	18,114,430	466,605,719	466,605,719	100.00%
2019	361,909,632	45,400,564	18,903,683	426,213,879	426,213,879	100.00%
2018	360,859,679	39,990,938	18,951,844	419,802,461	419,802,461	100.00%
2017	360,271,230	35,671,613	17,808,609	413,751,452	413,751,452	100.00%
2016	356,080,893	34,424,008	17,186,324	407,691,225	407,691,225	100.00%
2015	359,771,020	34,309,280	13,566,760	407,647,060	407,647,060	100.00%
2014	360,205,672	34,591,100	15,323,152	410,119,924	410,119,924	100.00%
2013	356,605,925	36,261,468	15,012,840	407,880,233	407,880,233	100.00%
2012	353,249,375	33,652,796	14,945,558	401,847,729	401,847,729	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
2021	\$.157/.157	\$ 0.830	\$ 0.066	\$.157/.830	\$ 0.157
2020	.175/.157	0.830	0.066	.175/.830	0.175
2019	.175/.175	0.830	0.066	.175/.830	0.175
2018	.175/.175	0.830	0.066	.175/.830	0.175
2017	.155/.175	0.830	0.066	.155/.830	0.155
2016	.155/.155	0.830	0.066	.155/.830	0.155
2015	.155/.155	0.830	0.066	.155/.830	0.155
2014	.155/.155	0.830	0.066	.155/.830	0.155
2013	.145/.155	0.830	0.066	.145/.830	0.145
2012	.114/.145	0.830	0.066	.114/.830	0.114

(1) Per \$100 of assessed value

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
2020-21	\$ 941,534	\$ 903,039	95.91%	\$ 58,119	\$ 961,158	102.08%	\$ 74,806	7.95%
2019-20	967,555	919,560	95.04%	37,539	957,099	98.92%	46,559	4.81%
2018-19	970,558	915,070	94.28%	25,728	940,798	96.93%	58,648	6.04%
2017-18	950,348	938,912	98.80%	19,551	958,463	100.85%	36,377	3.83%
2016-17	873,536	845,956	96.84%	6,973	852,929	97.64%	64,014	7.33%
2015-16	822,344	796,864	96.90%	25,754	822,618	100.03%	22,286	2.71%
2014-15	823,502	810,895	98.47%	10,576	821,471	99.75%	24,404	2.96%
2013-14	825,977	778,024	94.19%	43,976	822,000	99.52%	23,428	2.84%
2012-13	817,562	755,728	92.44%	20,756	776,484	94.98%	58,720	7.18%
2011-12	770,459	744,245	96.60%	33,663	777,908	100.97%	44,549	5.78%

(1) Includes Commonwealth's PPTRA reimbursement

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

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
2021	4,880	\$ 463,742	\$ 2,565,000	\$ 1,961,050	\$ 603,950	0.13%	\$ 124
2020	4,880	466,606	2,950,000	2,202,700	747,300	0.16%	153
2019	5,049	426,214	3,330,000	2,441,700	888,300	0.21%	176
2018	5,044	419,802	3,704,999	2,678,049	1,026,950	0.24%	204
2017	4,988	413,751	4,074,999	2,911,749	1,163,250	0.28%	233
2016	4,947	407,691	4,429,999	3,132,799	1,297,200	0.32%	262
2015	4,902	407,647	4,774,999	3,348,549	1,426,450	0.35%	291
2014	4,855	410,120	5,115,000	3,561,650	1,553,350	0.38%	320
2013	4,813	407,880	5,183,537	3,623,387	1,560,150	0.38%	324
2012	4,776	401,848	5,425,169	3,763,969	1,661,200	0.41%	348

(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

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Compliance

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**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, the discretely presented component unit and each major fund of Town of Orange, Virginia, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Town of Orange, Virginia's basic financial statements, and have issued our report thereon dated December 1, 2021.

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) as a basis for designing 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Robinson, Farmer, Cox Associates

Charlottesville, Virginia

December 1, 2021



**Independent Auditors' Report on Compliance for Each Major Program and on
Internal Control over Compliance Required by the Uniform Guidance**

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Orange, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of Orange, Virginia's major federal programs for the year ended June 30, 2021. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the 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 the Town of Orange, Virginia's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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, 2021.

Report on Internal Control over Compliance

Management of the 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 the 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 the Uniform Guidance, 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 the 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 a 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Robinson, Farmer, Cox Associates
Charlottesville, Virginia
December 1, 2021

TOWN OF ORANGE, VIRGINIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Federal Grantor/State Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Justice:			
Pass Through Payments:			
Department of Criminal Justice Service:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	n/a	\$ 3,236
Department of Transportation:			
Pass Through Payments:			
Department of Motor Vehicles:			
Highway Planning and Construction Cluster:			
Highway Planning and Construction	20.205	n/a	645,774
Department of Treasury:			
Pass Through Payments:			
County of Orange, Virginia			
COVID-19 - Coronavirus Relief Fund	21.019	n/a	<u>881,012</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,530,022</u></u>

TOWN OF ORANGE, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2021

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Town of Orange, Virginia under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). 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 position, 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 the Uniform Guidance, 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 - De Minimis Cost Rate

The Town did not elect to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

Note 4 - Subrecipients

No awards were passed through to subrecipients.

Note 5 - Relationship to Financial Statements

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

Primary government:	
General fund	\$ 1,526,786
Capital project fund	<u>3,236</u>
Total federal expenditures per basic financial statements	\$ <u><u>1,530,022</u></u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ <u><u>1,530,022</u></u>

TOWN OF ORANGE, VIRGINIA

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2021

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 2 CFR section 200.516(a)?	No
Identification of major programs:	
Assistance	
Listing #	<u>Name of Federal Program or Cluster</u>
21.019	COVID-19 Coronavirus Relief Fund
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
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.

Section IV - Prior Year Findings

There are no findings from the prior year.

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