

Town of Orange, Virginia



Financial Report
Year Ended June 30, 2010

TOWN OF ORANGE, VIRGINIA
FINANCIAL REPORT
YEAR ENDED JUNE 30, 2010

TOWN OF ORANGE, VIRGINIA

DIRECTORY OF OFFICIALS

COUNCIL

	Henry L. Carter, Mayor	
	Nancy A. Alexander, Vice-Mayor	
Ryan Gibson		Harry Hopkins, Jr.
Kent Higginbotham		

OFFICIALS

Greg Woods	Acting Town Manger, Director of Finance
Wendy J. Chewning	Town Clerk

TOWN OF ORANGE, VIRGINIA

FINANCIAL REPORT
YEAR ENDED JUNE 30, 2010

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

TO THE HONORABLE MEMBERS OF THE TOWN COUNCIL TOWN OF ORANGE, VIRGINIA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Orange, Virginia, as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Orange, Virginia's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, each major fund, and the aggregate remaining fund information of the Town of Orange, Virginia, as of June 30, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2010, on our consideration of the Town of Orange, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis budgetary comparison information and Schedule of Funding Progress as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Management's Discussion and Analysis, budgetary comparison information, Schedule of Funding Progress as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Orange, Virginia, basic financial statements. The combining and individual nonmajor fund financial statements, 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 accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Town of Orange, Virginia. The other supplementary information, supporting schedules and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken 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 express no opinion on it.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
November 12, 2010



Management's Discussion and Analysis

As management of the Town of Orange (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2010. Please read it in conjunction with the Town's basic financial statements, which follow this section.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$22 million (*net assets*). Of this amount, \$7 million (*unrestricted net assets*) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net assets increased by \$4.3 million, of which the governmental activities accounted for a \$.12 million increase and business-type activities accounted for \$4.2 million increase.
- The unreserved, undesignated ending fund balance for the Town's governmental funds is \$2.7 million, an increase of \$55,880 over the prior year. This ending fund balance is equal to 64% of the Town's fiscal year 2010 general fund operating balance.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$2.5 million, or 58% of governmental fund expenditures less any capital outlay projects funded with bond proceeds.
- The Town's total debt increased by \$5 million (29%) during the current fiscal year. This is due to the issuance of revenue bonds.

Overview of the Financial Statements

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

Overview of the Financial Statements: (Continued)

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 assets* presents information on all of the Town's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of how the financial position of the Town may be changing. Increases in net assets may indicate an improved financial position; however, even decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, (e.g., uncollected taxes and earned but unused vacation leave).

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

Fund financial statements

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

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

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

The Town maintains one governmental fund, a General 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.

Overview of the Financial Statements: (Continued)

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20 through 38 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 schedule of funding in progress relating to the Town's participation in its defined benefit pension plan. Required supplementary information can be found on pages 39 and 40 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$22 million at the close of the most recent fiscal year. A large portion of the Town's net assets (\$15.1 million, 68% 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 Assets:

Town of Orange, Virginia
Summary of Net Assets
As of June 30, 2010

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 3,082,389	\$ 2,853,406	\$ 5,303,992	\$ 6,174,296	\$ 8,386,381	\$ 9,027,702
Capital assets	5,458,666	5,661,306	31,760,534	22,148,657	37,219,200	27,809,963
Total assets	\$ 8,541,055	\$ 8,514,712	\$ 37,064,526	\$ 28,322,953	\$ 45,605,581	\$ 36,837,665
Long-term liabilities						
outstanding	\$ 1,962,322	\$ 2,019,782	\$ 20,287,226	\$ 15,241,943	\$ 22,249,548	\$ 17,261,725
Other liabilities	87,992	122,353	1,226,418	1,765,263	1,314,410	1,887,616
Total liabilities	\$ 2,050,314	\$ 2,142,135	\$ 21,513,644	\$ 17,007,206	\$ 23,563,958	\$ 19,149,341
Net assets:						
Invested in capital assets, net of related debt	\$ 3,604,767	\$ 3,715,756	\$ 11,521,538	\$ 6,946,933	\$ 15,126,305	\$ 10,662,689
Restricted	2,387	2,380	-	-	2,387	2,380
Unrestricted	2,883,587	2,654,441	4,029,344	4,368,814	6,912,931	7,023,255
Total net assets	\$ 6,490,741	\$ 6,372,577	\$ 15,550,882	\$ 11,315,747	\$ 22,041,623	\$ 17,688,324

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

Government-Wide Financial Analysis: (Continued)

As noted previously, the Town's overall (government and business-type activities) net assets increased by \$4.3 million during the current fiscal year. The overall increase is attributed to an increase in capital projects financed with debt issuances.

Governmental activities increased the Town's net assets by \$.12 million. The following table summarizes the Town's Statement of Activities:

<p style="text-align: center;">Town of Orange, Virginia Changes in Net Assets As of June 30, 2010</p>						
	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$ 483,060	\$ 168,444	\$ 2,231,671	\$ 2,242,412	\$ 2,714,731	\$ 2,410,856
Operating grants and contributions	918,172	960,713	-	-	918,172	960,713
Capital grants and contributions	-	-	4,330,716	3,829,383	4,330,716	3,829,383
General revenues:						
Property taxes	852,689	659,583	-	-	852,689	659,583
Other taxes	2,046,445	2,045,914	-	-	2,046,445	2,045,914
Unrestricted revenues from the use of money and property	11,140	9,348	13,247	6,903	24,387	16,251
Miscellaneous	1,982	339,873	155,390	144,842	157,372	484,715
Grants and contributions not restricted to specific programs	234,045	124,627	-	-	234,045	124,627
Gain on disposal of assets	9,554	500	-	-	9,554	500
Total revenues	\$ 4,557,087	\$ 4,309,002	\$ 6,731,024	\$ 6,223,540	\$ 11,288,111	\$ 10,532,542
Expenses:						
General government administration	\$ 822,347	\$ 745,324	\$ -	\$ -	\$ 822,347	\$ 745,324
Public safety	1,248,816	1,264,146	-	-	1,248,816	1,264,146
Public works	1,980,259	1,439,880	-	-	1,980,259	1,439,880
Parks, recreation and culture	132,620	139,745	-	-	132,620	139,745
Community development	176,336	489,556	-	-	176,336	489,556
Non-departmental	-	-	-	-	-	-
Interest on long-term debt	78,545	81,199	-	-	78,545	81,199
Water fund	-	-	1,419,246	1,478,137	1,419,246	1,478,137
Sewer fund	-	-	942,559	897,545	942,559	897,545
Water and sewer fund improvements	-	-	75,958	165,071	75,958	165,071
Sewer fund improvements	-	-	70,461	-	70,461	-
Total expenses	\$ 4,438,923	\$ 4,159,850	\$ 2,508,224	\$ 2,540,753	\$ 6,947,147	\$ 6,700,603
Increase in net assets before transfers and capital contributions	\$ 118,164	\$ 149,152	\$ 4,222,800	\$ 3,682,787	\$ 4,340,964	\$ 3,831,939
Transfers	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Increase in net assets	\$ 118,164	\$ 149,152	\$ 4,222,800	\$ 3,682,787	\$ 4,340,964	\$ 3,831,939
Net assets-beginning of year	\$ 6,372,577	\$ 6,223,425	\$ 11,328,082	\$ 7,645,295	\$ 17,700,659	\$ 13,868,720
Net assets-end of year	\$ 6,490,741	\$ 6,372,577	\$ 15,550,882	\$ 11,328,082	\$ 22,041,623	\$ 17,700,659

Government-Wide Financial Analysis: (Continued)

Generally, net asset changes are for the difference between revenues and expenses. Key elements of this increase follow:

- A decrease in net assets can be attributed to the reporting of depreciation expense, a non-cash expense, in relation to the Town's capital assets. Depreciation expense accounted for \$.36 million of the decrease.
- An increase in net assets is attributed to capital outlays that will be depreciated over their estimated useful lives. These amounted to \$.16 million.
- An increase in net assets resulting from the effect of the treatment of debt principal in the amount of \$.91 million.

Business-type activities increased the Town's net assets by \$4.2 million. 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. An increase in capital contributions.

Financial Analysis of the Town's Funds

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

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

In fiscal year 2010, the general fund's operating revenues exceeded expenditures by \$55,880.

At the end of the current fiscal year, unreserved fund balance of the General fund was \$2,539,313 while the reserved fund balance was \$2,638. The fund balance reservation represents unspent proceeds from Asset Forfeiture.

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 assets of the water and sewer funds at the end of the year amounted to \$4.1 million. The total net assets increase by \$4.3 million from the prior year.

General Fund Budgetary Highlights

There was an no change between the original budget and the final amended budget expenditures. During the fiscal year the Town's revenue exceeded budget by \$40,722.

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, 2010, amounts to \$37.2 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and machinery and equipment as well as construction in progress.

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

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 750,038	\$ 769,738	\$ 248,292	\$ 248,292	\$ 998,330	\$ 1,018,030
Buildings	2,338,211	2,407,044	2,805,512	2,896,683	5,143,723	5,303,727
Equipment and improvements	353,256	474,387	2,787,994	2,788,683	3,141,250	3,263,070
Road Systems	1,736,844	1,855,792	-	-	1,736,844	1,855,792
Water storage facility	-	-	3,378,168	3,473,348	3,378,168	3,473,348
Contruction in progress	280,317	154,345	22,540,568	12,753,986	22,820,885	12,908,331
Total	<u>\$ 5,458,666</u>	<u>\$ 5,661,306</u>	<u>\$ 31,760,534</u>	<u>\$ 22,160,992</u>	<u>\$ 37,219,200</u>	<u>\$ 27,822,298</u>

Additional information on the Town's capital assets can be found in Note 4 on pages 27 and 28 of this report.

Long-term debt: At the end of the current fiscal year, the Town had total outstanding debt of \$22.2 million and details are summarized in the following table:

Town of Orange, Virginia Outstanding Debt For the Year Ended June 30, 2010

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Bonds Payable:						
General obligation bonds	\$ 1,853,900	\$ 1,945,550	\$ 4,031,338	\$ 4,158,211	\$ 5,885,238	\$ 6,103,761
Revenue bonds	-	-	13,523,913	8,057,420	13,523,913	8,057,420
Notes payable	-	-	2,683,745	2,986,093	2,683,745	2,986,093
Other post-employment benefits	11,466	-	3,534	-	15,000	-
Compensated absences	96,957	74,232	44,696	40,219	141,653	114,451
Total	<u>\$ 1,962,323</u>	<u>\$ 2,019,782</u>	<u>\$ 20,287,226</u>	<u>\$ 15,241,943</u>	<u>\$ 22,249,549</u>	<u>\$ 17,261,725</u>

Debt associated with governmental activities decreased by \$57,259 while debt associated with business type activities increased by \$5,045,283. This increase is due to the drawdown of revenue bonds during the current fiscal year.

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, 2010.

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

Economic Factors and Next Year's Budgets and Rates

The Town did not see any appreciable increase of new home construction in 2010. Real estate reassessments are conducted by the County of Orange every four years. The previous assessment was effective with tax year 2007, therefore significant tax changes are not expected until tax year 2011.

Personal property was revalued by the County in tax year 2009 that decreased the revenue for tax year 2010. The County increased its rates to offset this impact but the town did not. For 2011, the Town increased its personal property rates to offset this impact. The increase was from \$0.60/\$100 to \$0.83/\$100 assessed.

The Town's utility rates were not changed in fiscal year 2010. The Town's sewer base rate was last modified in fiscal year 2008. The Town's water and sewer usage rate as well as the water base rate were last modified with fiscal year 2007. As the result of the operating and construction costs of the new wastewater treatment plant, the Town increased the sewer base rate by 38% beginning in the second quarter of 2011. The fiscal year 2011 budget is impacted by the new operating costs and an interest only debt service payment.

Requests for Information

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

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Basic Financial Statements

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Government-wide Financial Statements

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Statement of Net Assets
As of June 30, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,279,235	\$ 4,188,953	\$ 6,468,188
Receivables (net of allowance for uncollectibles):			
Taxes receivable	321,873	-	321,873
Other local revenues	151,922	-	151,922
Accounts receivable	-	299,093	299,093
Loan receivable	-	562,006	562,006
Due from other funds	160,000	-	160,000
Due from other governmental units	107,504	194,102	301,606
Prepaid expenses	21,386	-	21,386
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	2,638	-	2,638
Other assets:			
Unamortized bond issue costs	37,831	59,838	97,669
Capital assets (net of accumulated depreciation):			
Land	750,038	248,292	998,330
Buildings	2,338,211	2,805,512	5,143,723
Equipment and improvements	353,256	2,787,994	3,141,250
Water storage facility	-	3,378,168	3,378,168
Road systems	1,736,844	-	1,736,844
Construction in progress	280,317	22,540,568	22,820,885
Total assets	\$ 8,541,055	\$ 37,064,526	\$ 45,605,581
LIABILITIES			
Accounts payable	\$ 20,826	\$ 879,572	\$ 900,398
Due to other governmental units	-	10,097	10,097
Accrued interest payable	31,540	107,489	139,029
Due to other funds	-	160,000	160,000
Deferred revenue	10,626	-	10,626
Bonds held	25,000	69,260	94,260
Long-term liabilities:			
Due within one year	101,423	437,969	539,392
Due in more than one year	1,860,899	19,849,257	21,710,156
Total liabilities	\$ 2,050,314	\$ 21,513,644	\$ 23,563,958
NET ASSETS			
Invested in capital assets, net of related debt	\$ 3,604,767	\$ 11,521,538	\$ 15,126,305
Restricted for:			
Asset Forfeiture	2,387	-	2,387
Unrestricted	2,883,587	4,029,344	6,912,931
Total net assets	\$ 6,490,741	\$ 15,550,882	\$ 22,041,623

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

TOWN OF ORANGE, VIRGINIA

Statement of Activities

For the Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 822,347	\$ 346,824	\$ -	\$ -
Public safety	1,248,816	84,822	26,764	-
Public works	1,980,259	51,414	857,710	-
Parks, recreation, and cultural	132,620	-	-	-
Community development	176,336	-	33,698	-
Interest on long-term debt	78,545	-	-	-
Total governmental activities	\$ 4,438,923	\$ 483,060	\$ 918,172	\$ -
Business-type activities:				
Water	\$ 1,419,246	\$ 1,177,263	\$ -	\$ -
Sewer	942,559	1,054,408	-	-
Water and sewer capital improvements	75,958	-	-	72,847
Sewer capital improvements	70,461	-	-	4,257,869
Total business-type activities	\$ 2,508,224	\$ 2,231,671	\$ -	\$ 4,330,716
Total primary government	\$ 6,947,147	\$ 2,714,731	\$ 918,172	\$ 4,330,716

General revenues:

General property taxes

Other local taxes:

Local sales and use tax

Consumers' utility tax

Bank franchise tax

Restaurant food tax

Communications tax

Tobacco tax

Other local taxes

Unrestricted revenues from use of money and property

Miscellaneous

Grants and contributions not restricted to specific programs

Gain on the disposal of capital assets

Total general revenues and transfers

Change in net assets

Net assets - beginning

Net assets - ending

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (475,523)	\$ -	\$ (475,523)
(1,137,230)	-	(1,137,230)
(1,071,135)	-	(1,071,135)
(132,620)	-	(132,620)
(142,638)	-	(142,638)
(78,545)	-	(78,545)
<u>\$ (3,037,691)</u>	<u>\$ -</u>	<u>\$ (3,037,691)</u>
\$ -	\$ (241,983)	\$ (241,983)
-	111,849	111,849
-	(3,111)	(3,111)
-	4,187,408	4,187,408
<u>\$ -</u>	<u>\$ 4,054,163</u>	<u>\$ 4,054,163</u>
<u>\$ (3,037,691)</u>	<u>\$ 4,054,163</u>	<u>\$ 1,016,472</u>
\$ 852,689	\$ -	\$ 852,689
294,143	-	294,143
231,703	-	231,703
128,391	-	128,391
908,810	-	908,810
186,933	-	186,933
108,054	-	108,054
188,411	-	188,411
11,140	13,247	24,387
1,982	155,390	157,372
234,045	-	234,045
9,554	-	9,554
<u>\$ 3,155,855</u>	<u>\$ 168,637</u>	<u>\$ 3,324,492</u>
118,164	4,222,800	4,340,964
<u>6,372,577</u>	<u>11,328,082</u>	<u>17,700,659</u>
<u>\$ 6,490,741</u>	<u>\$ 15,550,882</u>	<u>\$ 22,041,623</u>

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Fund Financial Statements

Balance Sheet
Governmental Funds
As of June 30, 2010

	General	Taylor Park	Capital Projects	Total
ASSETS				
Cash and cash equivalents (Note 2)	\$ 2,129,287	\$ 106,692	\$ 43,256	\$ 2,279,235
Receivables (net of allowance for uncollectibles):				
Taxes receivable (Note 1)	321,873	-	-	321,873
Other local revenues	151,922	-	-	151,922
Due from other funds	160,000	-	-	160,000
Due from other governmental units (Note 3)	96,721	-	10,783	107,504
Prepaid expenses	21,386	-	-	21,386
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents	2,638	-	-	2,638
Total assets	<u>\$ 2,883,827</u>	<u>\$ 106,692</u>	<u>\$ 54,039</u>	<u>\$ 3,044,558</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 20,514	\$ -	\$ 312	\$ 20,826
Deferred Revenue	296,362	-	-	296,362
Bonds held	25,000	-	-	25,000
Total liabilities	<u>\$ 341,876</u>	<u>\$ -</u>	<u>\$ 312</u>	<u>\$ 342,188</u>
Fund balances:				
Unreserved, undesignated reported in:				
General fund	\$ 2,539,564	\$ -	\$ -	\$ 2,539,564
Capital projects fund	-	-	53,727	53,727
Taylor Park fund	-	106,692	-	106,692
Reserved:				
Asset forfeiture	2,387	-	-	2,387
Total fund balances	<u>\$ 2,541,951</u>	<u>\$ 106,692</u>	<u>\$ 53,727</u>	<u>\$ 2,702,370</u>
Total liabilities and fund balances	<u>\$ 2,883,827</u>	<u>\$ 106,692</u>	<u>\$ 54,039</u>	<u>\$ 3,044,558</u>

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

Reconciliation of the Balance Sheet of Governmental Funds
 To the Statement of Net Assets
 As of June 30, 2010

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	2,702,370
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		5,458,666
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Unamortized bond issue costs	\$	37,831
Increase/(decrease) in deferred revenue		<u>285,736</u>
		323,567
Interest paid on long-term debt is not accrued in governmental funds, but rather is recognized when paid.		(31,540)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		<u>(1,962,322)</u>
Net assets of governmental activities	\$	<u><u>6,490,741</u></u>

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

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2010

	General	Taylor Park	Capital Projects	Total
REVENUES				
General property taxes	\$ 643,848	\$ -	\$ -	\$ 643,848
Other local taxes	2,046,445	-	-	2,046,445
Permits, privilege fees, and regulatory licenses	2,539	-	-	2,539
Fines and forfeitures	60,235	-	-	60,235
Revenue from the use of money and property	10,492	453	195	11,140
Charges for services	73,462	-	-	73,462
Miscellaneous	36,982	-	-	36,982
Recovered costs	19,699	-	-	19,699
Revenue from internal sources	346,824	-	-	346,824
Intergovernmental revenues:				
Commonwealth	1,076,885	-	69,593	1,146,478
Federal	5,739	-	-	5,739
Total revenues	\$ 4,323,150	\$ 453	\$ 69,788	\$ 4,393,391
EXPENDITURES				
Current:				
General government administration	\$ 618,538	\$ -	\$ -	\$ 618,538
Public safety	1,206,536	-	-	1,206,536
Public works	1,776,665	-	-	1,776,665
Parks, recreation, and cultural	121,539	-	-	121,539
Community development	174,421	-	-	174,421
Nondepartmental	64,283	-	-	64,283
Capital outlay	152,523	-	54,188	206,711
Debt service:				
Principal retirement	91,650	-	-	91,650
Interest and other fiscal charges	77,168	-	-	77,168
Total expenditures	\$ 4,283,323	\$ -	\$ 54,188	\$ 4,337,511
Excess (deficiency) of revenues over (under) expenditures	\$ 39,827	\$ 453	\$ 15,600	\$ 55,880
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 7	\$ 7
Transfers out	(7)	-	-	(7)
Total other financing sources (uses)	\$ (7)	\$ -	\$ 7	\$ -
Net change in fund balances	\$ 39,820	\$ 453	\$ 15,607	\$ 55,880
Fund balances - beginning	2,502,131	106,239	38,120	2,646,490
Fund balances - ending	\$ 2,541,951	\$ 106,692	\$ 53,727	\$ 2,702,370

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

Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2010

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

Net change in fund balances - total governmental funds	\$	55,880
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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	\$	159,500	
Depreciation expense		(336,694)	
Disposal of capital assets		<u>(25,446)</u>	(202,640)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	208,841
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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 assets. Also, governmental funds report the effect of issuance costs, 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.

Principal retired on general obligation bonds	<u>91,650</u>	91,650
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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.

(Decrease)/increase in bond issue costs	(2,522)	
(Increase)/decrease in compensated absences	(22,724)	
(Increase)/decrease in other post-employment benefits	(11,466)	
(Increase)/decrease in accrued interest payable	<u>1,145</u>	(35,567)

Change in net assets of governmental activities	\$	<u><u>118,164</u></u>
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The notes to the financial statements are an integral part of this statement.

Statement of Net Assets
 Proprietary Funds
 As of June 30, 2010

	Enterprise Funds				
	Water Fund	Sewer Fund	Water & Sewer Capital Improvements	Sewer Capital Improvements	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 75,702	\$ 157,072	\$ 2,914,055	\$ 1,042,124	\$ 4,188,953
Accounts Receivables (net of allowances for uncollectibles):	139,842	122,554	36,697	-	299,093
Loan receivable	-	-	-	562,006	562,006
Due from other governmental units	-	-	-	194,102	194,102
Total Current Assets	\$ 215,544	\$ 279,626	\$ 2,950,752	\$ 1,798,232	\$ 5,244,154
Noncurrent assets:					
Bond Issue Costs	\$ 58,104	\$ 1,734	\$ -	\$ -	\$ 59,838
Capital assets (net of accumulated depreciation):					
Land	160,251	88,041	-	-	248,292
Buildings	789,590	2,015,922	-	-	2,805,512
Equipment and improvements	2,502,084	285,910	-	-	2,787,994
Water storage facility	3,378,168	-	-	-	3,378,168
Construction in progress	47,025	-	1,583,286	20,910,257	22,540,568
Total Capital Assets, Net	\$ 6,877,118	\$ 2,389,873	\$ 1,583,286	\$ 20,910,257	\$ 31,760,534
Total Noncurrent Assets	\$ 6,935,222	\$ 2,391,607	\$ 1,583,286	\$ 20,910,257	\$ 31,820,372
Total Assets	\$ 7,150,766	\$ 2,671,233	\$ 4,534,038	\$ 22,708,489	\$ 37,064,526
LIABILITIES					
Current liabilities:					
Accounts payable and accrued expenses	\$ 29,479	\$ 358	\$ 5,946	\$ 843,789	\$ 879,572
Due to other governmental units	10,097	-	-	-	10,097
Accrued interest payable	9,514	-	27,514	70,461	107,489
Deposits held	69,260	-	-	-	69,260
Notes and bonds payable, current portion	135,237	216,642	81,620	-	433,499
Total Current Liabilities	\$ 253,587	\$ 217,000	\$ 115,080	\$ 914,250	\$ 1,499,917
Noncurrent liabilities:					
Notes and bonds payable	\$ 3,117,773	\$ 1,624,815	\$ 1,538,997	\$ 13,523,912	\$ 19,805,497
Due to other funds	-	-	160,000	-	160,000
OPEB liability	1,556	1,978	-	-	3,534
Compensated absences	18,243	26,453	-	-	44,696
Total Noncurrent Liabilities	\$ 3,137,572	\$ 1,653,246	\$ 1,698,997	\$ 13,523,912	\$ 20,013,727
Total Liabilities	\$ 3,391,159	\$ 1,870,246	\$ 1,814,077	\$ 14,438,162	\$ 21,513,644
NET ASSETS					
Invested in capital assets, net of related debt	\$ 3,624,108	\$ 548,416	\$ (37,331)	\$ 7,386,345	\$ 11,521,538
Unrestricted	135,499	252,571	2,757,292	883,982	4,029,344
Total Net Assets	\$ 3,759,607	\$ 800,987	\$ 2,719,961	\$ 8,270,327	\$ 15,550,882
Total Liabilities and Net Assets	\$ 7,150,766	\$ 2,671,233	\$ 4,534,038	\$ 22,708,489	\$ 37,064,526

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

Statement of Revenues, Expenses, and Changes in Fund Net Assets
 Proprietary Funds
 For the Year Ended June 30, 2010

	Enterprise Funds				
	Water Fund	Sewer Fund	Water & Sewer Capital Improvements	Sewer Capital Improvements	Total
OPERATING REVENUES:					
Charges for services:					
Charges for services and connection fees	\$ 1,177,263	\$ 1,054,408	\$ -	\$ -	\$ 2,231,671
Miscellaneous	65,207	14,766	75,417	-	155,390
Total Operating Revenues	\$ 1,242,470	\$ 1,069,174	\$ 75,417	\$ -	\$ 2,387,061
OPERATING EXPENSES:					
Personal Services	\$ 307,109	\$ 323,690	\$ 70,560	\$ -	\$ 701,359
Fringe Benefits	90,007	109,269	5,398	-	204,674
Contractual services/maintenance	52,134	26,767	-	-	78,901
Materials & supplies	166,686	105,200	-	-	271,886
Utilities	128,478	65,998	-	-	194,476
Internal services	267,581	157,644	-	-	425,225
Other charges	150	254	-	-	404
Capital outlay	61,297	416	-	-	61,713
Depreciation and Amortization	233,321	86,928	-	-	320,249
Total Operating Expenses	\$ 1,306,763	\$ 876,166	\$ 75,958	\$ -	\$ 2,258,887
Operating Income (Loss)	\$ (64,293)	\$ 193,008	\$ (541)	\$ -	\$ 128,174
NONOPERATING REVENUES (EXPENSES):					
Interest Earned	\$ 460	\$ 330	\$ 12,457	\$ -	\$ 13,247
Interest and fiscal charges	(112,483)	(66,393)	-	(70,461)	(249,337)
Total Nonoperating Revenues (Expenses)	\$ (112,023)	\$ (66,063)	\$ 12,457	\$ (70,461)	\$ (236,090)
Income (Loss) Before Contributions and Transfers	\$ (176,316)	\$ 126,945	\$ 11,916	\$ (70,461)	\$ (107,916)
Capital contributions and grants	\$ -	\$ -	\$ 72,847	\$ 4,257,869	\$ 4,330,716
Operating transfers in/out	100,911	(48,651)	(52,260)	-	-
Change in Net Assets	\$ (75,405)	\$ 78,294	\$ 32,503	\$ 4,187,408	\$ 4,222,800
Net Assets at Beginning of Year	3,835,012	722,693	2,687,458	4,082,919	11,328,082
Net Assets at End of Year	<u>\$ 3,759,607</u>	<u>\$ 800,987</u>	<u>\$ 2,719,961</u>	<u>\$ 8,270,327</u>	<u>\$ 15,550,882</u>

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

Statement of Cash Flows
 Proprietary Funds
 For the Year Ended June 30, 2010

	Enterprise Funds				
	Water Fund	Sewer Fund	Water & Sewer Capital Improvements	Sewer Capital Improvements	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers and users	\$ 1,275,410	\$ 1,108,831	\$ 45,570	\$ -	\$ 2,429,811
Payments to suppliers	(650,185)	(359,319)	(19,284)	(328,648)	(1,357,436)
Payments to and on behalf of employees	(392,262)	(429,802)	(75,958)	-	(898,022)
Net cash provided (used) by operating activities	\$ 232,963	\$ 319,710	\$ (49,672)	\$ (328,648)	\$ 174,353
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Net transfers to other funds	\$ 100,911	\$ (48,651)	\$ (52,260)	\$ -	\$ -
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	\$ (146,209)	\$ -	\$ (45,358)	\$ (9,741,224)	\$ (9,932,791)
Capital contributions	-	-	72,847	4,257,869	4,330,716
Proceeds from the issuance of debt	-	-	-	5,812,149	5,812,149
Repayment of long-term debt	(132,629)	(216,640)	(79,950)	-	(429,219)
Interest paid on long-term debt	(92,285)	(69,862)	(999)	-	(163,146)
Net cash provided (used) by capital and related financing activities	\$ (371,123)	\$ (286,502)	\$ (53,460)	\$ 328,794	\$ (382,291)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest and dividends received	\$ 460	\$ 330	\$ 12,457	\$ -	\$ 13,247
Net increase (decrease) in cash and cash equivalents	\$ (36,789)	\$ (15,113)	\$ (142,935)	\$ 146	\$ (194,691)
Cash and cash equivalents - beginning	112,491	172,185	3,056,990	1,041,978	4,383,644
Cash and cash equivalents at - ending	\$ 75,702	\$ 157,072	\$ 2,914,055	\$ 1,042,124	\$ 4,188,953
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (64,293)	\$ 193,008	\$ (541)	\$ -	\$ 128,174
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	233,321	86,928	-	-	320,249
Changes in operating assets and liabilities:					
(Increase) decrease in receivables	46,071	39,657	(29,847)	-	55,881
(Increase) decrease in due from other governmental units	-	-	-	269,948	269,948
Increase (decrease) in accounts payable	26,141	(3,040)	(19,284)	(598,596)	(594,779)
Increase (decrease) in due to other governmental units	(20,082)	-	-	-	(20,082)
Increase (decrease) in customer deposits	6,951	-	-	-	6,951
Increase(decrease) in other post-employment benefits	1,556	1,978	-	-	3,534
Increase (decrease) in compensated absences	3,298	1,179	-	-	4,477
Net cash provided (used) by operating activities	\$ 232,963	\$ 319,710	\$ (49,672)	\$ (328,648)	\$ 174,353

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

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements As of June 30, 2010

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Financial Reporting Entity

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

Individual Component Unit Disclosures

The Town has no component units.

Related Organizations

The Town has no related organizations.

Jointly Governed Organizations

The Town has no jointly governed organizations.

B. Government-wide and Fund Financial Statements

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

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

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

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2010 (Continued)

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 is 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.

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

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

The Town applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989 unless these pronouncements conflict with or contradict GASB pronouncements.

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, 2010 (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 Similar 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:

General Fund

The General Fund is the general operating fund of the Town. The fund accounts for all revenues and expenditures of the Town which are not accounted for in other funds.

Capital Project Fund

The Capital Projects Funds account for all capital related expenditures of the Town.

Special Revenue Fund

Special Revenue Funds account for proceeds from specific revenue sources that are legally restricted for specific purposes. Currently the Town's Taylor Park Fund is accounted for as a special revenue fund.

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

Enterprise Funds

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

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2010 (Continued)

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

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

Enterprise Funds: (Continued)

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

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

D. Budgets and Budgetary Accounting:

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

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

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2010 (Continued)

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

E. Cash and Cash Equivalents:

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

F. Restricted Assets

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

G. Capital Assets:

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Interest attributable to capitalized assets for the year ended June 30, 2010 was immaterial.

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

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

H. Compensated Absences:

Vested or accumulated vacation leave is reported as an expense in the statement of activities and a long-term obligation in the Statement of Net Assets. In accordance with the provisions of Government Accounting Standards Board Statement No. 16, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2010 (Continued)

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

I. 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 is 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.

J. Allowance for Uncollectible Accounts:

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowances amounted to approximately \$163,224 at June 30, 2010 for uncollectible local property taxes, and water and sewer accounts.

K. 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.

L. 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.

M. Restricted & Unrestricted Net Assets

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

N. Net Assets

Net assets are the difference between assets and liabilities. Net assets invested in capital assets represent capital assets, less accumulated depreciation less any outstanding debt related to the acquisition, construction or improvement of those assets.

O. Investments

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

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2010 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS:

Deposits:

All cash of the primary government is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act (a multiple financial institution collateral pool), Section 2.2-4400 et. seq. of the *Code of Virginia* or covered by federal depository insurance.

Investments:

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

Custodial Credit Risk (Investments):

The Town does not have an investment policy.

The Town’s investments at June 30, 2010 were held by the Town or in the Town’s name by the Town’s custodial banks.

External Investment Pools

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

NOTE 3—DUE FROM OTHER GOVERNMENTAL UNITS:

Commonwealth of Virginia:	
Rolling stock tax	\$ 6,665
Communications tax	31,222
VRTA Toot	10,783
Auto rental tax	4,336
Federal:	
Law Enforcement Funds	978
County of Orange:	
Local Sales Tax	53,520
Total	<u>\$ 107,504</u>

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2010 (Continued)

NOTE 4—CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2010 was as follows:

	Balance June 30, 2009	Additions	Retirements	Balance June 30, 2010
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 769,738	\$ -	\$ (19,700)	\$ 750,038
Construction in progress	154,345	125,972	-	280,317
Total capital assets, not being depreciated	<u>\$ 924,083</u>	<u>\$ 125,972</u>	<u>\$ (19,700)</u>	<u>\$ 1,030,355</u>
Capital assets, being depreciated:				
Buildings	\$ 2,898,161	\$ -	\$ -	\$ 2,898,161
Equipment and improvements	2,010,518	33,528	(28,388)	2,015,658
Road systems	2,378,972	-	-	2,378,972
Total capital assets being depreciated	<u>\$ 7,287,651</u>	<u>\$ 33,528</u>	<u>\$ (28,388)</u>	<u>\$ 7,292,791</u>
Less accumulated depreciation for:				
Buildings	\$ (491,117)	\$ (68,833)	\$ -	\$ (559,950)
Equipment and improvements	(1,536,131)	(148,913)	22,642	(1,662,402)
Road systems	(523,180)	(118,948)	-	(642,128)
Total accumulated depreciation	<u>\$ (2,550,428)</u>	<u>\$ (336,694)</u>	<u>\$ 22,642</u>	<u>\$ (2,864,480)</u>
Total capital assets, being depreciated, net	<u>\$ 4,737,223</u>	<u>\$ (303,166)</u>	<u>\$ (5,746)</u>	<u>\$ 4,428,311</u>
Governmental activities capital assets, net	<u><u>\$ 5,661,306</u></u>	<u><u>\$ (177,194)</u></u>	<u><u>\$ (25,446)</u></u>	<u><u>\$ 5,458,666</u></u>

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2010 (Continued)

NOTE 4—CAPITAL ASSETS: (CONTINUED)

	Balance June 30, 2009	Additions	Retirements	Balance June 30, 2010
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 248,292	\$ -	\$ -	\$ 248,292
Construction in progress	12,753,986	9,786,582	-	22,540,568
Total capital assets, not being depreciated	<u>\$ 13,002,278</u>	<u>\$ 9,786,582</u>	<u>\$ -</u>	<u>\$ 22,788,860</u>
Capital assets, being depreciated:				
Buildings	\$ 4,431,352	\$ -	\$ -	\$ 4,431,352
Equipment and improvements	8,172,671	146,209	-	8,318,880
Water storage facility	3,807,196	-	-	3,807,196
Total capital assets being depreciated	<u>\$ 16,411,219</u>	<u>\$ 146,209</u>	<u>\$ -</u>	<u>\$ 16,557,428</u>
Less accumulated depreciation for:				
Buildings	\$ (1,536,966)	\$ (88,874)	\$ -	\$ (1,625,840)
Equipment and improvements	(5,382,840)	(148,046)	-	(5,530,886)
Water storage facility	(333,848)	(95,180)	-	(429,028)
Total accumulated depreciation	<u>\$ (7,253,654)</u>	<u>\$ (332,100)</u>	<u>\$ -</u>	<u>\$ (7,585,754)</u>
Total capital assets, being depreciated, net	<u>\$ 9,157,565</u>	<u>\$ (185,891)</u>	<u>\$ -</u>	<u>\$ 8,971,674</u>
Business-type activities capital assets, net	<u><u>\$ 22,159,843</u></u>	<u><u>\$ 9,600,691</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 31,760,534</u></u>

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

Governmental activities:	
General government administration	\$ 154,078
Public safety	16,540
Public works	155,924
Parks, recreation and cultural	10,063
Community development	89
Total depreciation expense - governmental activities	<u><u>\$ 336,694</u></u>
Business-type activities:	
Water	\$ 245,172
Sewer	86,928
Total depreciation expense - business-type activities	<u><u>\$ 332,100</u></u>

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2010 (Continued)

NOTE 5—LONG TERM DEBT:Governmental Activities:

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 94,000	\$ 77,071
2012	98,700	74,168
2013	101,050	70,667
2014	105,750	66,672
2015	108,100	58,259
2016-2020	611,000	221,265
2021-2025	<u>735,300</u>	<u>82,910</u>
Total	<u>\$ 1,853,900</u>	<u>\$ 651,012</u>

Changes in Long term Obligations:

The following is a summary of long term debt transactions of the Town for the year ended June 30, 2010:

	<u>Bonds Payable</u>	<u>Other Post- Employment Benefits</u>	<u>Compensated Absences</u>	<u>Total</u>
Long-term debt payable at July 1, 2009	\$ 1,945,550	\$ -	\$ 74,232	\$ 2,019,782
Increases:				
Issuances	-	11,466	22,724	34,190
Decreases:				
Retirements	<u>(91,650)</u>	<u>-</u>	<u>-</u>	<u>(91,650)</u>
Long-term debt payable at June 30, 2010	<u>\$ 1,853,900</u>	<u>\$ 11,466</u>	<u>\$ 96,956</u>	<u>\$ 1,962,322</u>

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2010 (Continued)

NOTE 5—LONG TERM DEBT: (CONTINUED)

Governmental Activities: (Continued)

Details of Long term Obligations

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
\$2,363,000 General obligation bonds issued December 29, 2004 payable in annual principal payments ranging from \$77,400 to \$148,350 and semi-annual interest payments ranging from 2.5% to 4.375% and final payment due July 20, 2024.	\$ 1,853,900	\$ 94,000
Compensated absences (Note 6)	96,956	7,423
Other post-employment benefits (Note 15)	<u>11,466</u>	<u>-</u>
Total general long term obligation debt	<u>\$ 1,962,322</u>	<u>\$ 101,423</u>

Enterprise Activities:

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 433,499	\$ 241,640
2012	1,245,570	282,884
2013	1,254,008	194,753
2014	1,265,182	184,083
2015	1,273,795	200,607
2016-2020	6,119,193	831,320
2021-2025	5,353,557	516,078
2026-2030	2,126,308	281,796
2031-2035	305,196	185,064
2036-2040	375,356	141,905
2041-2045	461,646	55,614
2046	<u>25,686</u>	<u>178</u>
Total	<u>\$ 20,238,996</u>	<u>\$ 3,115,922</u>

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2010 (Continued)

NOTE 5—LONG TERM DEBT: (CONTINUED)

Enterprise Activities: (Continued)

	Long-term Debt Payable July 1, 2009	Issuances	Retirements	Long-term Debt Payable June 30, 2010
General Obligation Bonds	\$ 4,158,211	\$ -	\$ 126,873	\$ 4,031,338
Revenue Bonds	8,057,420	5,466,493	-	13,523,913
Notes Payable	2,986,093	-	302,348	2,683,745
Other Post-Employment Benefits (Note 15)	-	3,534	-	3,534
Compensated Absences (Note 6)	40,219	4,477	-	44,696
Total	\$ 15,241,943	\$ 5,474,504	\$ 429,221	\$ 20,287,226

Details of Long term Obligations:

	Total Amount	Amount Due Within One Year
<u>Notes Payable:</u>		
\$5,050,000 Virginia Resource Authority note issued September 25, 1998, payable in semi-annual installments of \$140,676 with no interest. Final payment due September 1, 2018	\$ 2,391,501	\$ 281,353
\$443,935 Virginia Resource Authority note issued May 30, 2001 payable in semi-annual installments of \$15,118 including interest at 3%. Final payment due September 1, 2021	292,244	21,629
Total notes payable	\$ 2,683,745	\$ 302,982

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2010 (Continued)

NOTE 5—LONG TERM DEBT: (CONTINUED)Details of Long term Obligations: (Continued)

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>Bonds Payable:</u>		
\$2,597,000 General Obligation Bonds issued December 29, 2004 maturing annually with payments ranging from \$102,600 to \$196,650 and semi-annual interest payments ranging from 2.5% to 4.375%. Final payment due July 20, 2024	\$ 2,116,100	\$ 106,000
\$1,277,400 USDA bonds issued September 28, 2005 payable in monthly installments of \$5,506 including 4.125%. Final payment due September 2045.	1,223,265	15,660
\$722,600 USDA bonds issued September 28, 2005 payable in monthly installments of \$3,115 including interest at 4.125%. Final payment due September 2045.	691,972	8,857
\$16,177,744 Revenue Bonds, Series 2008 issued May 1, 2008 maturing annually with payments of \$435,883 beginning 2011, due December 2030 bearing no interest. Final payment due May 2028.	<u>13,523,914</u>	<u>-</u>
Total bonds payable	\$ <u>17,555,251</u>	\$ <u>130,517</u>
Compensated absences (Note 6)	\$ 44,696	\$ 4,470
Other post-employment benefits (Note 15)	<u>3,534</u>	<u>-</u>
Total enterprise debt	\$ <u><u>20,287,226</u></u>	\$ <u><u>437,969</u></u>

NOTE 6—CLAIMS, JUDGMENTS AND COMPENSATED ABSENCES:

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

Town employees earn annual leave at various rates. No benefits or pay is received for unused sick leave upon termination. Accumulated vacation and banked holidays are paid upon termination up to a maximum of 240 hours. The Town's general fund has outstanding accrued leave pay totaling \$96,957 and the Enterprise Funds have outstanding accrued leave pay of \$44,696.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2010 (Continued)

NOTE 7—DEFINED BENEFIT PENSION PLAN:

A. Plan Description:

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

The Town contributes to the Virginia Retirement System (VRS).

All full time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after 5 years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating law enforcement officers and firefighters) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years for participating law enforcement officers and firefighters) payable monthly for life in the amount equal to 1.7 percent of their average final compensation (AFC) for each year of credited service (1.85% for sheriffs and if the employer elects, for other employees in hazardous duty positions receiving enhanced benefits). Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5.00% per year. AFC is defined as the highest consecutive 36 months of reported compensation. Participating law enforcement officers and firefighters may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/Pdf/publications/2009-Annu-Rept.pdf> or obtained by writing to the System at P.O. Box 2500, Richmond, VA 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their annual salary to the VRS. This 5.00% member contribution may be assumed by the employer. In addition, the Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Town's contribution rate for the fiscal year ended 2010 was 3.88% of annual covered payroll.

C. Annual Pension Cost

For fiscal year 2010, the Town's annual pension cost of \$84,430 (does not include the portion of the employee share assumed by the Town which was \$108,801) was equal to the Town's required and actual contributions.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2010 (Continued)

NOTE 7—DEFINED BENEFIT PENSION PLAN: (CONTINUED)

C. Annual Pension Cost: (Continued)

Three-Year Trend Information for Town			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2010	\$ 84,430	100%	\$ -
June 30, 2009	78,996	100%	-
June 30, 2008	127,987	100%	-

The required contribution was determined as part of the June 30, 2007 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2007 included (a) investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the Authority's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Authority had no unfunded actuarial accrued liability at June 30, 2009.

D. Funded Status and Funding Progress

As of June 30, 2009, the most recent actuarial valuation date, the plan was 88.77% funded. The actuarial accrued liability for benefits was \$4,675,355 and the actuarial value of assets was \$4,150,325, resulting in an unfunded actuarial liability (UAAL) of \$525,030. The covered payroll (annual payroll of active employees covered by the plan) was \$2,061,639, and the ratio of the UAAL to the covered payroll was 25.479%.

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

NOTE 8—DEFERRED REVENUE:

Deferred 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. Deferred revenue totaling \$296,362 is comprised of the following:

Deferred Property Tax Revenue: Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$285,736 at June 30, 2010.

Prepaid Property Taxes: Property taxes due subsequent to June 30, 2010, but paid in advance by the tax payers totaled \$10,626 at June 30, 2010.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2010 (Continued)

NOTE 9—ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS:

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. As of June 30, 2010, the allowance amounted to \$46,562 for taxes receivable and \$50,884 for water charges and \$65,778 for sewer charges.

NOTE 10—RESTRICTED NET ASSETS/RESERVED AND DESIGNATED FUND BALANCES:

The Town has restrictions and designations of its equity as follows:

Statement of Net Assets:

Restricted Net Assets - Includes \$2,638 in Asset Forfeiture Funds unspent as of year-end.

Balance Sheet - Governmental Funds:

Reserved Fund Balance - Reserved as described above.

NOTE 11—INTERFUND LOANS AND TRANSFERS:

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

NOTE 12—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 13—LITIGATION:

At June 30, 2010, there were no matters of litigation involving the Town which would materially affect the Town's financial position should any court decisions on pending matters not be favorable to such entities.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2010 (Continued)

NOTE 14—CONTINGENT LIABILITIES:

Federal programs in which the organization participates were audited in accordance with the provisions of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by audit, the federal government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

NOTE 15—OTHER POST-EMPLOYMENT BENEFITS:

Background

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

A. Plan Description:

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

B. Funding Policy:

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

C. Annual OPEB Cost and Net OPEB Obligation:

The annual cost of other post-employment benefits (OPEB) under GASB 45 is called the annual required contribution or ARC. The estimated pay as you go cost for OPEB benefits is \$92,000 for fiscal year 2010. The Town did not make a payment towards this obligation during the fiscal year. The Town is required to contribute the annual required contribution of the employer (ARC) an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2010 (Continued)

NOTE 15—OTHER POST-EMPLOYMENT BENEFITS: (CONTINUED)

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

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

Annual required contribution	\$	29,000
Interest on net OPEB obligation		-
Adjustment to annual required contribution		-
		<u>-</u>
Annual OPEB cost (expense)	\$	29,000
Estimated contributions made		<u>(14,000)</u>
		<u>15,000</u>
Increase in net OPEB obligation	\$	15,000
Net OPEB obligation - beginning of year		<u>-</u>
Net OPEB obligation - end of year	\$	<u><u>15,000</u></u>

For 2010, the Town's expected cash payment of \$14,000 was \$15,000 less than the OPEB cost. The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$ 29,000	48% \$	15,000

The funded status of the plan as of January 1, 2009 is as follows:

Actuarial accrued liability (AAL)	\$	190,000
Actuarial value of plan assets		-
Unfunded actuarial accrued liability		190,000
Funded ratio (actuarial value of plan assets / AAL)		0%
Covered payroll (active plan members)		2,278,000
UAAL as a percentage of covered payroll		8.30%

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2010 (Continued)

NOTE 15—OTHER POST-EMPLOYMENT BENEFITS: (CONTINUED)

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

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

Actuarial Method & Assumption

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

Actuarial Cost Method

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

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

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

Interest Assumptions

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

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Required Supplementary Information

Note to Required Supplementary Information:

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

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Required Supplementary Information
 Budgetary Comparison Schedule
 For the Year Ended June 30, 2010

	General Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:				
General Property Taxes	\$ 617,700	\$ 617,700	\$ 643,848	\$ 26,148
Other local taxes/revenues	2,057,000	2,057,000	2,046,445	(10,555)
Permits, fees, and regulatory licenses	1,100	1,100	2,539	1,439
Fines and forfeitures	80,000	80,000	60,235	(19,765)
Revenues from use of money and property	30,000	30,000	10,492	(19,508)
Charges for Services	82,638	82,638	73,462	(9,176)
Miscellaneous revenues	15,000	15,000	36,982	21,982
Recovered costs	15,000	15,000	19,699	4,699
Revenue from internal sources	346,824	346,824	346,824	-
Intergovernmental				
Commonwealth	1,002,272	1,002,272	1,076,885	74,613
Federal	-	-	5,739	5,739
Total Revenues	\$ 4,247,534	\$ 4,247,534	\$ 4,323,150	\$ 75,616
EXPENDITURES:				
Current:				
General government administration	\$ 585,225	\$ 585,225	\$ 618,538	\$ (33,313)
Public safety	1,245,630	1,245,630	1,206,536	39,094
Public works	1,628,994	1,628,994	1,776,665	(147,671)
Parks, recreation, and cultural	129,300	129,300	121,539	7,761
Community development	173,076	173,076	174,421	(1,345)
Nondepartmental	157,388	157,388	64,283	93,105
Capital projects	159,000	159,000	152,523	6,477
Debt service:				
Principal	91,650	91,650	91,650	-
Interest and finance charges	77,271	77,271	77,168	103
Total Expenditures	\$ 4,247,534	\$ 4,247,534	\$ 4,283,323	\$ (35,789)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 39,827	\$ 39,827
Fund Balance at Beginning of Year	2,502,131	2,502,131	2,502,131	-
Fund Balance at End of Year	\$ 2,502,131	\$ 2,502,131	\$ 2,541,958	\$ 39,827

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

Schedule of Funding Progress
For the Year Ended June 30, 2010

Virginia Retirement System						
Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll	UAAL as % of Covered Payroll (c/e)
	(a)	(b)	(c)	(d)	(e)	(f)
06/30/02	\$ 2,672,911	\$ 2,597,598	\$ (75,313)	102.90%	1,201,017	(6.27%)
06/30/03	2,668,534	2,810,024	141,490	94.96%	1,341,311	10.55%
06/30/04	2,731,484	3,109,913	378,429	87.83%	\$ 1,561,787	24.23%
06/30/05	2,897,106	3,305,458	408,352	87.65%	1,630,570	25.04%
06/30/06	3,148,937	3,111,988	(36,949)	101.19%	1,769,424	(2.09%)
06/30/07	3,613,587	3,692,459	78,872	97.86%	1,947,235	4.05%
06/30/08	4,050,356	4,334,980	284,624	93.43%	2,005,520	14.19%
06/30/09	4,150,325	4,675,355	525,030	88.77%	2,061,639	25.48%

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

Other Supplementary Information

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Supporting Schedules

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Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

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	\$ 510,000	\$ 510,000	\$ 496,480	\$ (13,520)
Personal property taxes	71,000	71,000	101,696	30,696
Public service corporation taxes	16,700	16,700	18,279	1,579
Delinquent taxes	20,000	20,000	27,393	7,393
Total general property taxes	\$ 617,700	\$ 617,700	\$ 643,848	\$ 26,148
Other local taxes/revenues				
Local sales and use taxes	\$ 260,000	\$ 260,000	\$ 294,143	\$ 34,143
Consumers' utility taxes	230,000	230,000	231,703	1,703
Communication taxes	195,000	195,000	186,933	(8,067)
Electric consumption taxes	15,000	15,000	15,870	870
Motor vehicle licenses	50,000	50,000	66,316	16,316
Bank franchise taxes	100,000	100,000	128,391	28,391
Restaurant food taxes	950,000	950,000	908,810	(41,190)
Business License	7,000	7,000	12,858	5,858
Transient/occupancy tax	120,000	120,000	93,367	(26,633)
Cigarette tax	130,000	130,000	108,054	(21,946)
Total other local taxes/revenues	\$ 2,057,000	\$ 2,057,000	\$ 2,046,445	\$ (10,555)
Permits, fees, and regulatory licenses:				
Planning and development fees	\$ 1,000	\$ 1,000	\$ 2,399	\$ 1,399
Construction permits/fees	100	100	140	40
Total permits, fees, and regulatory licenses	\$ 1,100	\$ 1,100	\$ 2,539	\$ 1,439
Fines and forfeitures:				
Court fines and forfeitures	\$ 80,000	\$ 80,000	\$ 60,235	\$ (19,765)
Revenue from use of money and property:				
Revenue from use of money	\$ 26,000	26,000	8,237	(17,763)
Revenue from use of property	4,000	4,000	2,255	(1,745)
Total revenue from use of money and property	\$ 30,000	\$ 30,000	\$ 10,492	\$ (19,508)
Charges for services:				
Refuse Collection	\$ 65,000	\$ 65,000	\$ 51,414	\$ (13,586)
Transit fees	17,638	17,638	22,048	4,410
Total Charges for Services	\$ 82,638	\$ 82,638	\$ 73,462	\$ (9,176)

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2010 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from Local Sources: (Continued)				
Miscellaneous revenue:				
Proceeds from the sale of capital assets	\$ -	\$ -	\$ 35,000	\$ 35,000
Miscellaneous	15,000	15,000	1,982	(13,018)
Total miscellaneous revenue	\$ 15,000	\$ 15,000	\$ 36,982	\$ 21,982
Recovered costs:				
Expenditure refunds	\$ 15,000	\$ 15,000	\$ 19,699	\$ 4,699
Revenue from Internal Sources				
Internal Charges	\$ 346,824	\$ 346,824	\$ 346,824	\$ -
Total Revenue from Local Sources	\$ 3,245,262	\$ 3,245,262	\$ 3,240,526	\$ (4,736)
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 30,000	\$ 30,000	\$ 29,717	\$ (283)
Recordation tax	6,000	6,000	6,664	664
Aid to localities with police departments	113,957	113,957	108,049	(5,908)
Personal property tax relief funds	89,615	89,615	89,615	-
Total noncategorical aid	\$ 239,572	\$ 239,572	\$ 234,045	\$ (5,527)
Categorical aid:				
State Highway Funds	\$ 750,000	\$ 750,000	\$ 748,152	\$ (1,848)
VDOT Paving Reimbursement			81,099	81,099
Fire Program Grants	10,000	10,000	11,375	1,375
Litter Control Grant	2,700	2,700	2,214	(486)
Total Categorical Aid	\$ 762,700	\$ 762,700	\$ 842,840	\$ 80,140
Total revenue from the commonwealth	\$ 1,002,272	\$ 1,002,272	\$ 1,076,885	\$ 74,613
Revenue from the Federal Government:				
Categorical aid:				
Law enforcement	\$ -	\$ -	\$ 5,739	\$ 5,739
Total General Fund	\$ 4,247,534	\$ 4,247,534	\$ 4,323,150	\$ 75,616
Special Revenue Fund:				
Taylor Park Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 453	\$ 453
Total revenue from local sources	\$ -	\$ -	\$ 453	\$ 453
Total Taylor Park Fund	\$ -	\$ -	\$ 453	\$ 453

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2010 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Capital Projects Fund:				
General Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 195	\$ 195
Total revenue from local sources	\$ -	\$ -	\$ 195	\$ 195
Revenue from the Commonwealth:				
Categorical aid:				
Virginia Rail Transportation grant	\$ -	\$ -	\$ 28,459	\$ 28,459
Local Law Enforcement Block Grant	-	-	405	405
Virginia Department of Conservation	-	-	33,698	33,698
Asset forfeiture	-	-	7,031	7,031
Total categorical aid	\$ -	\$ -	\$ 69,593	\$ 69,593
Total revenue from the Commonwealth	\$ -	\$ -	\$ 69,593	\$ 69,593
Total Town Capital Improvements Fund	\$ -	\$ -	\$ 69,788	\$ 69,788
Total Primary Government	\$ 4,247,534	\$ 4,247,534	\$ 4,393,391	\$ 145,857

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Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Town Council	\$ 51,334	\$ 51,334	\$ 42,654	\$ 8,680
General and financial administration:				
Town Manager	\$ 228,652	\$ 228,652	\$ 251,807	\$ (23,155)
Professional Services	41,500	41,500	34,671	6,829
Treasurer/finance	258,739	258,739	286,613	(27,874)
Total general and financial administration	\$ 528,891	\$ 528,891	\$ 573,091	\$ (44,200)
Elections				
Registrar	\$ 5,000	\$ 5,000	\$ 2,793	\$ 2,207
Total general government administration	\$ 585,225	\$ 585,225	\$ 618,538	\$ (33,313)
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 1,165,630	\$ 1,165,630	\$ 1,125,161	\$ 40,469
Total law enforcement and traffic control	1,165,630	1,165,630	1,125,161	40,469
Fire and rescue services:				
Volunteer fire departments	\$ 45,000	\$ 45,000	\$ 46,375	\$ (1,375)
Rescue squad	35,000	35,000	35,000	-
Total fire and rescue services	\$ 80,000	\$ 80,000	\$ 81,375	\$ (1,375)
Total public safety	\$ 1,245,630	\$ 1,245,630	\$ 1,206,536	\$ 39,094
Public works:				
Streets and general maintenance	\$ 1,364,344	\$ 1,364,344	\$ 1,537,440	\$ (173,096)
Refuse collection and disposal	133,189	133,189	115,027	18,162
Municipal building	29,916	29,916	30,323	(407)
Depot	16,000	16,000	8,330	7,670
TOOT	85,545	85,545	85,545	-
Total public works	\$ 1,628,994	\$ 1,628,994	\$ 1,776,665	\$ (147,671)
Parks, Recreation and Cultural:				
Parks and Recreation:				
Parks and recreation	\$ 27,500	\$ 27,500	\$ 26,939	\$ 561
Cultural Enrichment:				
Museums, societies and foundations	\$ 101,800	\$ 101,800	\$ 94,600	\$ 7,200
Total parks, recreation, and cultural	\$ 129,300	\$ 129,300	\$ 121,539	\$ 7,761

Schedule of Expenditures - Budget and Actual (Continued)

Governmental Funds

For the Year Ended June 30, 2010

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Community development:				
Planning and community development	\$ 173,076	\$ 173,076	\$ 174,421	\$ (1,345)
Nondepartmental:				
Insurance	\$ 50,000	\$ 50,000	\$ 44,531	\$ 5,469
Revenue refunds	-	-	1,400	(1,400)
Bank service charges	2,000	2,000	18,352	(16,352)
Reserve	105,388	105,388	-	105,388
Total Nondepartmental	\$ 157,388	\$ 157,388	\$ 64,283	\$ 93,105
Capital Expenditures:				
Capital outlay	\$ 159,000	\$ 159,000	\$ 152,523	\$ 6,477
Debt Service:				
Principal	\$ 91,650	\$ 91,650	\$ 91,650	\$ -
Interest	77,271	77,271	77,168	103
Total Debt Service	\$ 168,921	\$ 168,921	\$ 168,818	\$ 103
Total General Fund	\$ 4,247,534	\$ 4,247,534	\$ 4,283,323	\$ (35,789)
Capital Projects Fund				
Capital projects expenditures:				
Capital projects expenditures	\$ -	\$ 878,798	\$ 54,188	\$ 824,610
Total Capital Projects Fund	\$ -	\$ 878,798	\$ 54,188	\$ 824,610
Total Primary Government	\$ 4,247,534	\$ 5,126,332	\$ 4,337,511	\$ 788,821

Other Statistical Information

Net Assets by Component
 Last Four Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2007	2008	2009	2010
Governmental activities				
Invested in capital assets, net of related debt	\$ 3,525,251	\$ 3,650,697	\$ 3,715,756	\$ 3,604,767
Restricted	19,745	5,195	2,380	2,387
Unrestricted	2,163,738	2,567,533	2,654,441	2,883,587
Total governmental activities net assets	<u>\$ 5,708,734</u>	<u>\$ 6,223,425</u>	<u>\$ 6,372,577</u>	<u>\$ 6,490,741</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 3,771,954	\$ 3,003,648	\$ 6,946,933	\$ 11,521,538
Unrestricted	2,978,760	4,442,193	4,368,814	4,029,344
Total business-type activities net assets	<u>\$ 6,750,714</u>	<u>\$ 7,445,841</u>	<u>\$ 11,315,747</u>	<u>\$ 15,550,882</u>
Primary government				
Invested in capital assets, net of related debt	\$ 7,297,205	\$ 6,654,345	\$ 10,662,689	\$ 15,126,305
Restricted	19,745	5,195	2,380	2,387
Unrestricted	5,142,498	7,009,726	7,023,255	6,912,931
Total primary government net assets	<u>\$ 12,459,448</u>	<u>\$ 13,669,266</u>	<u>\$ 17,688,324</u>	<u>\$ 22,041,623</u>

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

Changes in Net Assets
Last Four Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2007	2008	2009	2010
Expenses				
Governmental activities:				
General government	\$ 430,093	\$ 802,974	\$ 744,923	\$ 822,347
Public safety	1,078,322	1,225,816	1,268,803	1,248,816
Public works	1,645,944	1,816,378	1,435,223	1,980,259
Parks, recreation and cultural	122,396	146,267	139,744	132,620
Community development	144,165	240,018	489,958	176,336
Non-departmental	78,453	-	-	-
Interest on long-term debt	83,875	79,172	81,199	78,545
Total governmental activities expenses	\$ 3,583,248	\$ 4,310,625	\$ 4,159,850	\$ 4,438,923
Business-type activities:				
Water	\$ 1,195,174	\$ 1,407,998	\$ 1,478,137	\$ 1,419,246
Sewer	818,843	863,808	909,880	942,559
Water and sewer capital improvements	-	72,380	165,071	75,958
Sewer capital improvements	-	22	-	70,461
Total business-type activities expenses	\$ 2,014,017	\$ 2,344,208	\$ 2,553,088	\$ 2,508,224
Total primary government expenses	\$ 5,597,265	\$ 6,654,833	\$ 6,712,938	\$ 6,947,147
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 92,694	\$ 95,049	\$ -	\$ -
Public safety	75,746	-	73,006	84,822
Public works	106,354	417,342	77,053	51,414
Parks, recreation and cultural	-	1,350	-	-
Community development	10,164	7,866	18,385	-
Operating grants and contributions	843,683	931,222	960,713	918,172
Capital grants and contributions	53,823	-	-	-
Total governmental activities program revenues	\$ 1,182,464	\$ 1,452,829	\$ 1,129,157	\$ 1,054,408
Business-type activities:				
Charges for services:				
Water	\$ 1,235,191	\$ 1,242,240	\$ 1,173,876	\$ 1,177,263
Sewer	989,961	1,243,119	1,068,536	1,054,408
Capital grants and contributions	355,957	497,616	3,829,383	4,330,716
Total business-type activities program revenues	\$ 2,581,109	\$ 2,982,975	\$ 6,071,795	\$ 6,562,387
Total primary government program revenues	\$ 3,763,573	\$ 4,435,804	\$ 7,200,952	\$ 7,616,795
Net (expense) / revenue				
Governmental activities	\$ (2,400,784)	\$ (2,857,796)	\$ (3,030,693)	\$ (3,384,515)
Business-type activities	567,092	638,767	3,518,707	4,054,163
Total primary government net (expense) / revenue	\$ (1,833,692)	\$ (2,219,029)	\$ 488,014	\$ 669,648

Changes in Net Assets
Last Four Fiscal Years (Continued)
(accrual basis of accounting)

	Fiscal Year			
	2007	2008	2009	2010
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Taxes:				
Property taxes	\$ 712,492	\$ 712,551	\$ 659,583	\$ 852,689
Local sales and use taxes	168,033	154,417	293,023	294,143
Restaurant food taxes	921,917	951,511	942,870	908,810
Consumer utility taxes	341,876	252,661	240,838	231,703
Communications taxes	72,398	217,301	184,219	186,933
Other local taxes	299,896	390,711	384,964	424,856
Unrestricted grants and contributions	39,674	128,178	124,627	234,045
Unrestricted revenues from use of money and property	73,722	36,662	9,348	11,140
Miscellaneous	113,926	319,118	339,873	348,806
Gain (loss) on the disposal of assets	(1,905)	(3,445)	500	9,554
Transfers	(22,410)	13,541	-	-
Total governmental activities	\$ 2,719,619	\$ 3,173,206	\$ 3,179,845	\$ 3,502,679
Business-type activities:				
Unrestricted revenues from use of money and property	\$ 75,213	\$ 69,901	\$ 6,903	\$ 13,247
Miscellaneous	-	-	144,842	155,390
Transfers	22,410	(13,541)	-	-
Total business-type activities	\$ 97,623	\$ 56,360	\$ 151,745	\$ 168,637
Total primary government	\$ 2,817,242	\$ 3,229,566	\$ 3,331,590	\$ 3,671,316
Change in Net Assets				
Governmental activities	\$ 318,835	\$ 315,410	\$ 149,152	\$ 118,164
Business-type activities	664,715	695,127	3,670,452	4,222,800
Total primary government	\$ 983,550	\$ 1,010,537	\$ 3,819,604	\$ 4,340,964

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

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

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Local Sales and Use Tax</u>	<u>Consumer Utility Tax</u>	<u>Restaurant Food Tax</u>	<u>Communications Tax</u>	<u>Other Local Taxes</u>	<u>Total</u>
2010	\$ 852,689	\$ 294,143	\$ 231,703	\$ 908,810	\$ 186,933	\$ 424,856	\$ 2,899,134
2009	659,583	293,023	240,383	942,870	184,219	384,964	2,705,042
2008	712,551	154,417	252,661	951,511	217,301	390,711	2,679,152
2007	712,492	168,033	341,876	921,917	72,398	299,896	2,516,612

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

Fund Balances of Governmental Funds

Last Four Fiscal Years

(modified accrual basis of accounting)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General fund:				
Reserved	\$ 19,745	\$ 5,195	\$ 2,380	\$ 2,387
Unreserved	<u>2,189,227</u>	<u>2,551,203</u>	<u>2,499,751</u>	<u>2,539,564</u>
Total general fund	<u>\$ 2,208,972</u>	<u>\$ 2,556,398</u>	<u>\$ 2,502,131</u>	<u>\$ 2,541,951</u>

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

	2007	2008	2009	2010
Revenues				
General property taxes	\$ 737,166	\$ 662,053	\$ 667,271	\$ 643,848
Other local taxes	1,874,874	1,966,601	2,045,914	2,046,445
Permits, privilege fees and regulatory licenses	102,359	7,865	1,776	2,539
Fines and forfeitures	75,746	84,232	73,006	60,235
Revenue from use of money and property	79,357	36,662	9,348	11,140
Charges for services	-	88,479	93,662	73,462
Miscellaneous	139,439	346,343	12,873	36,982
Recovered costs	-	5,500	72,657	19,699
Revenue from internal sources	316,439	326,368	327,500	346,824
Intergovernmental:				
Commonwealth	926,394	1,059,050	1,080,754	1,146,478
Federal	15,737	350	4,586	5,739
Total revenues	\$ 4,267,511	\$ 4,583,503	\$ 4,389,347	\$ 4,393,391
Expenditures				
General government administration	\$ 624,940	\$ 557,693	\$ 557,352	\$ 618,538
Public safety	1,038,154	1,139,981	1,196,117	1,206,536
Public works	1,494,059	1,449,599	1,557,462	1,776,665
Parks, recreation and cultural	113,522	122,108	126,553	121,539
Community development	203,337	240,385	150,412	174,421
Non-departmental	85,483	86,478	98,361	64,283
Capital projects	58,855	484,004	443,904	206,711
Debt service				
Principal	144,600	86,922	89,300	91,650
Interest and other fiscal charges	84,975	82,448	79,793	77,168
Total expenditures	\$ 3,847,925	\$ 4,249,618	\$ 4,299,254	\$ 4,337,511
Excess of revenues over (under) expenditures	\$ 419,586	\$ 333,885	\$ 90,093	\$ 55,880
Other financing sources (uses)				
Transfers in	\$ -	\$ 13,541	\$ -	\$ 7
Transfers out	(22,410)	-	-	(7)
Proceeds from the disposal of assets	2,402	-	-	-
Total other financing sources (uses)	\$ (20,008)	\$ 13,541	\$ -	\$ -
Net change in fund balances	\$ 399,578	\$ 347,426	\$ 90,093	\$ 55,880
Debt service as a percentage of noncapital expenditures	6.61%	4.83%	4.71%	4.33%

TOWN OF ORANGE, VIRGINIA

General Governmental Revenues by Source (1) (3)

Last Ten Fiscal Years

(modified accrual basis of accounting)

Fiscal Year	General Property Taxes (2)	Other Local Taxes	Permits, Privilege fees, and Regulatory Licenses	Fines and Forfeitures	Revenue from Use of Money and Property
2010	\$ 643,848	\$ 2,046,445	\$ 2,539	\$ 60,235	\$ 11,140
2009	667,271	2,045,914	1,776	73,006	9,348
2008	662,053	1,966,601	7,865	84,232	36,662
2007	737,166	1,874,874	-	75,746	79,357
2006	696,866	1,810,589	-	68,621	45,950
2005	602,239	1,339,183	-	43,677	58,898
2004	719,435	1,176,771	-	54,376	29,392
2003	477,672	1,098,958	-	28,749	22,188
2002	484,783	1,061,610	-	16,625	44,312
2001	480,975	1,067,288	-	29,161	85,325

- NOTE:
- (1) Includes General and Special Revenue Funds
 - (2) Changed to semiannual billing for taxes in 2004
 - (3) Excludes revenue from internal sources

Table 6

Charges for Services	Recovered Costs	Miscellaneous	Inter- governmental	Total
\$ 73,462	\$ 19,699	\$ 383,806	\$ 1,152,217	\$ 4,393,391
93,662	72,657	340,373	1,085,340	4,389,347
88,479	5,500	346,343	1,059,400	4,257,135
102,359	-	139,439	942,131	3,951,072
131,186	-	87,891	907,244	3,748,347
96,694	-	77,921	809,757	3,028,369
104,280	-	46,321	824,084	2,954,659
98,797	-	53,866	841,279	2,621,509
77,013	-	60,237	787,890	2,532,470
69,121	-	21,395	787,398	2,540,663

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
2010	\$	227,429,000	\$ 34,435,483	\$ 15,305,972	\$ 277,170,455	277,170,455	100.00%
2009		226,870,450	43,609,311	14,687,687	285,167,448	285,167,448	100.00%
2008		225,704,598	42,994,779	17,362,511	286,061,888	286,061,888	100.00%
2007		211,110,620	40,525,623	9,619,293	261,255,536	261,255,536	100.00%
2006		194,909,598	37,690,211	9,619,293	242,219,102	242,219,102	100.00%
2005		192,848,271	34,325,763	12,539,644	239,713,678	239,713,678	100.00%
2004		192,745,937	35,176,878	17,291,053	245,213,868	245,213,868	100.00%
2003		168,808,546	33,366,451	13,975,842	216,150,839	216,150,839	100.00%
2002		167,699,599	13,674,655	14,452,114	195,826,368	195,826,368	100.00%
2001		163,878,750	13,171,986	14,969,568	192,020,304	192,020,304	100.00%

Source: Commissioner of Revenue of Orange County

Property Tax Rates (1)
 Direct and Overlapping Governments
 Last Ten Fiscal Years

Fiscal Years	Direct Rates				
	Real Estate	Personal Property	Machinery and Tools	Public Service RE/PP	Mobile Home
2010	\$ 0.114	\$ 0.600	\$ 0.066	\$.114/.600	\$ 0.114
2009	0.114	0.600	0.066	.114/.600	0.114
2008	0.114	0.600	0.066	.114/.600	0.114
2007	0.114	0.600	0.066	.114/.600	0.114
2006	0.240	0.600	0.066	.240/.600	0.240
2005	0.180	0.600	0.066	.180/.600	0.180
2004	0.180	0.600	0.066	.180/.600	0.180
2003	0.180	0.600	0.066	.180/.600	0.180
2002	0.180	0.600	0.066	.180/.600	0.180
2001	0.180	1.500	0.200	.180/1.500	0.180

(1) Per \$100 of assessed value

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

Fiscal Year	Population	Assessed Value (In Thousands) (2)	Gross General Obligation Debt (1)	Debt Payable from Enterprise Revenues (1)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value (2)	Net Bonded Debt per Capita
2010	4,123	\$ 277,170	\$ 19,409,151	\$ 17,555,251	\$ 1,853,900	0.67%	\$ 450
2009	4,123	285,167	17,147,274	15,201,724	1,945,550	0.68%	472
2008	4,123	286,062	10,318,266	8,283,416	2,034,850	0.71%	494
2007	4,123	261,256	10,112,855	7,991,055	2,121,800	0.81%	515
2006	4,123	242,219	10,669,513	8,403,113	2,266,400	0.94%	550
2005	4,123	239,714	13,209,504	8,982,504	4,227,000	1.76%	1,025
2004	4,123	245,214	8,608,948	6,488,948	2,120,000	0.86%	514
2003	4,123	216,151	4,907,861	4,787,861	120,000	0.06%	29
2002	4,123	195,826	5,086,259	5,086,259	-	-	-
2001	4,123	192,020	4,838,500	4,838,500	-	-	-

(1) Includes all long-term general obligation bonded debt, and excludes revenue bonds, capital leases, and compensated absences.

(2) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property - Table 7

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total (1) Tax Levy	Current Tax (1) Collections	Percent of Levy Collected	Delinquent (1) Tax (2) Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding (3) Delinquent Taxes	Percent of Delinquent Taxes to Tax Levy
2009-10	\$ 706,081	\$ 706,070	100.00%	\$ 27,393	\$ 733,463	103.88%	\$ 86,706	12.28%
2008-09	722,001	717,996	99.45%	38,890	756,886	104.83%	90,594	12.55%
2007-08	741,438	685,776	92.49%	32,662	718,438	96.90%	22,868	3.08%
2006-07	725,271	708,957	97.75%	27,940	736,897	101.60%	38,743	5.34%
2005-06	693,124	683,277	98.58%	9,621	692,898	99.97%	65,233	9.41%
2004-05	595,211	585,614	98.39%	9,420	595,034	99.97%	53,665	9.02%
2003-04	716,483	682,632	95.28%	28,939	711,571	99.31%	35,564	4.96%
2002-03	494,878	469,058	94.78%	5,917	474,975	95.98%	31,096	6.28%
2001-02	496,371	474,243	95.54%	7,880	482,123	97.13%	25,207	5.08%
2000-01	481,024	464,288	96.52%	11,337	475,625	98.88%	21,237	4.41%
1999-00	461,617	446,130	96.65%	6,796	452,926	98.12%	25,804	5.59%

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

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Compliance

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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 TOWN COUNCIL
TOWN OF ORANGE, VIRGINIA
ORANGE, VIRGINIA

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Orange, Virginia, as of and for the year ended June 30, 2010, which collectively comprise the Town of Orange, Virginia's basic financial statements and have issued our report thereon, dated November 12, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Orange, Virginia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Orange, Virginia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Orange, Virginia's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, Town Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Robinson, Farmer, Cox Associates
Charlottesville, Virginia
November 12, 2010

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO THE TOWN COUNCIL
TOWN OF ORANGE, VIRGINIA
ORANGE, VIRGINIA

Compliance

We have audited the Town of Orange, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town of Orange, Virginia's major federal programs for the year ended June 30, 2010. The Town of Orange, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Town of Orange, Virginia's management. Our responsibility is to express an opinion on the Town of Orange, Virginia's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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. Our audit does not provide a legal determination of the Town of Orange, Virginia's compliance with those requirements.

In our opinion, the Town of Orange, Virginia complied, in all material respects, with the 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, 2010.

Internal Control Over Compliance

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

Internal Control Over Compliance: (Continued)

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

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, Town Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Robinson, Farmer Cox Associates
(Charlottesville, Virginia
November 12, 2010

TOWN OF ORANGE, VIRGINIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Expendi- tures</u>
Environmental Protection Agency: Pass Through Payments:			
Capitalization grants for clean water state revolving funds	66.458	2W-51000209-0	<u>1,463,075</u>
Department of Transportation: Pass Through Payments:			
Alcohol open container requirements	20.607	154AL 10 50225	<u>5,739</u>
Total Expenditures of Federal Awards			<u>\$ 1,468,814</u>

The accompanying notes are an integral part of this statement.

TOWN OF ORANGE, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2010

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Town of Orange, Virginia under programs of the federal government for the year ended June 30, 2010. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the Town of Orange, Virginia, it is not intended to and does not present the financial position, change in net assets, or cash flows of the Town of Orange, Virginia.

Note 2 - Summary of Significant Account Policies

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

Note 3 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General fund	\$ 5,739
Enterprise funds	<u>1,463,075</u>

Total federal expenditures per basic financial statements	<u>\$ 1,468,814</u>
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Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u>\$ 1,468,814</u>
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TOWN OF ORANGE, VIRGINIA

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
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:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	No
Identification of major programs:	
CFDA #	Name of Federal Program or Cluster
66.458	Capitalization Grants for Clean Water State Revolving Funds
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

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

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