

Town of Orange, Virginia



Financial Report

For the Year Ended June 30, 2025

TOWN OF ORANGE, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2025

TOWN OF ORANGE, VIRGINIA

DIRECTORY OF OFFICIALS

COUNCIL

Jeremiah Pent	J. Harrison Cluff, Mayor	Donna Waugh-Robinson
Jason Cashell	Delmer G. Seal, Jr., Vice-Mayor	

OFFICIALS

Christopher H. Snider	Interim Town Manager
Dianna Gomez	Director of Finance
Wendy J. Chewning	Town Clerk

TOWN OF ORANGE, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2025

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Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the Town of Orange, Virginia, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business type activities, the discretely presented component unit, and each major fund of the Town of Orange, Virginia, as of and for the year ended June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Town of Orange, Virginia, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2025, the Town adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 1 and Note 16 to the financial statements, in 2025, the Town restated beginning balances to reflect the requirements of GASB Statement No. 101, as well as to correct errors related to accounts receivable. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Responsibilities of Management for the Financial Statements: (Continued)

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Town of Orange, Virginia's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Specifications for Audits of Counties, Cities, and Towns* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Specifications for Audits of Counties, Cities, and Towns*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Town of Orange, Virginia's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Town of Orange, Virginia's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of

Required Supplementary Information: (Continued)

America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town of Orange, Virginia's basic financial statements. The accompanying individual financial statements, supporting schedules and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual financial statements, supporting schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the statistical information but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2025, on our consideration of Town of Orange, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Town of Orange, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Orange, Virginia's internal control over financial reporting and compliance.



Charlottesville, Virginia
November 28, 2025



Management's Discussion and Analysis

As management of Town of Orange (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2025. Please read it in conjunction with the Town's basic financial statements, which follow this section.

Financial Highlights

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$28.6 million (*net position*). Of this amount, \$2.6 million (*unrestricted net position*) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$1,567,813, of which the governmental activities accounted for an increase of \$793,428 and business-type activities accounted for an increase of \$774,385.
- The total ending fund balance for the Town's governmental funds is \$5,810,689, an increase of \$805,522 over the prior year. The ending fund balance of the general fund was \$5,709,395 and is equal to 84% of the Town's fiscal year 2025 general fund expenditures.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$5.65 million, or 83% of general fund expenditures less any capital outlay projects funded with bond proceeds.

Overview of the Financial Statements

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

Government-wide financial statements

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

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

Overview of the Financial Statements: (Continued)

Government-wide financial statements: (Continued)

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government administration, public safety, and public works. The business-type activities are for public utilities. The government-wide financial statements can be found on pages 17 through 19 of this report.

Fund financial statements

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

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

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

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

The Town maintains one type of **Proprietary Fund**. The Town uses *enterprise funds*, which are used to report the same functions presented as *business-type activities* in the government-wide financial statements, to account for its public utilities. The basic proprietary fund financial statements can be found on pages 25 through 27 of this report.

Notes to financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28 through 74 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning budgetary comparisons for the general fund and the schedules related to pension and OPEB funding. Required supplementary information can be found on pages 76 through 89 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the Town, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$28.6 million at the close of the most recent fiscal year. A large portion of the Town’s net position (\$25.9 million, 91% of total) reflects its investment in capital assets (e.g., land, buildings, improvements, infrastructure machinery and equipment, and vehicles) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities (i.e., the Town’s investment in capital assets are of a permanent nature as assets acquired are generally not sold or otherwise disposed of during their useful life).

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

**Town of Orange, Virginia
Summary of Net Position
As of June 30, 2025 and June 30, 2024**

	Governmental		Business-type		Total	
	Activities		Activities			
	2025	2024	2025	2024	2025	2024
Current and other assets	\$ 7,532,695	\$ 8,180,730	\$ 945,392	\$ 2,488,847	\$ 8,478,087	\$ 10,669,577
Capital assets*	6,964,835	7,135,829	27,030,747	26,811,991	33,995,582	33,947,820
Total assets	\$ 14,497,530	\$ 15,316,559	\$ 27,976,139	\$ 29,300,838	\$ 42,473,669	\$ 44,617,397
Deferred outflows of resources	\$ 947,760	\$ 488,072	\$ 276,501	\$ 129,394	\$ 1,224,261	\$ 617,466
Long-term liabilities outstanding*	\$ 2,779,019	\$ 2,122,053	\$ 8,546,097	\$ 9,168,659	\$ 11,325,116	\$ 11,290,712
Other liabilities	1,406,749	2,834,747	1,226,899	2,513,430	2,633,648	5,348,177
Total liabilities	\$ 4,185,768	\$ 4,956,800	\$ 9,772,996	\$ 11,682,089	\$ 13,958,764	\$ 16,638,889
Deferred inflows of resources	\$ 721,066	\$ 1,102,803	\$ 427,684	\$ 470,568	\$ 1,148,750	\$ 1,573,371
Net investment in capital assets	\$ 6,780,757	\$ 6,791,614	\$ 19,098,438	\$ 18,148,590	\$ 25,879,195	\$ 24,940,204
Restricted	74,282	73,852	-	-	74,282	73,852
Unrestricted*	3,683,417	2,879,562	(1,046,478)	(871,015)	2,636,939	2,008,547
Total net position	\$ 10,538,456	\$ 9,745,028	\$ 18,051,960	\$ 17,277,575	\$ 28,590,416	\$ 27,022,603

*FY25 beginning balance restatement to account for implementation of GASB Statement No. 101 and correction of general fund accounts receivable balance

At the end of the current fiscal year, the Town is able to report positive balances in all categories of net position, both for the Town as a whole, as well as for its separate governmental activities. Business-type activities show a positive net investment in capital assets and a negative \$926K to unrestricted net position.

As noted previously, the Town’s overall (government and business-type activities) net position increased by \$1,606,874 during the current fiscal year. The overall increase is attributed to a increase in capital grants and contributions in business-type funds, and an increase in general revenues.

Government-wide Financial Analysis: (Continued)

Governmental activities increased the Town’s net position by \$793,428. The following table summarizes the Town’s Statement of Activities:

**Town of Orange, Virginia
Changes in Net Position
For the Years Ended June 30, 2025 and June 30, 2024**

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program revenues:						
Charges for services	\$ 786,503	\$ 723,091	\$ 3,531,029	\$ 3,362,811	\$ 4,317,532	\$ 4,085,902
Operating grants and contributions (1)	1,741,119	1,585,560	-	-	1,741,119	1,585,560
Capital grants and contributions	-	-	2,935,934	2,537,124	2,935,934	2,537,124
General revenues:						
Property taxes	886,880	904,190	-	-	886,880	904,190
Other taxes	3,088,579	2,900,689	-	-	3,088,579	2,900,689
Unrestricted revenues from the use of money and property	208,681	306,457	122,150	109,325	330,831	415,782
Miscellaneous	78,241	63,499	113,783	331,376	192,024	394,875
Grants and contributions not restricted to specific programs	262,816	255,212	-	-	262,816	255,212
Gain on sale of surplus property	24,229	18,054	-	-	24,229	18,054
Total revenues	\$ 7,077,048	\$ 6,756,752	\$ 6,702,896	\$ 6,340,636	\$ 13,779,944	\$ 13,097,388
Expenses:						
General government administration	\$ 1,512,859	\$ 1,410,230	\$ -	\$ -	\$ 1,512,859	\$ 1,410,230
Public safety	2,076,847	1,926,280	-	-	2,076,847	1,926,280
Public works	2,856,889	3,012,527	-	-	2,856,889	3,012,527
Parks, recreation and cultural	30,071	44,848	-	-	30,071	44,848
Community development	356,957	341,618	-	-	356,957	341,618
Interest on long-term obligations	1,113	4,614	-	-	1,113	4,614
Water fund	-	-	2,846,127	1,900,687	2,846,127	1,900,687
Sewer fund	-	-	2,531,268	2,291,714	2,531,268	2,291,714
Total expenses	\$ 6,834,736	\$ 6,740,117	\$ 5,377,395	\$ 4,192,401	\$ 12,212,131	\$ 10,932,518
Increase (decrease) in net position before transfers	\$ 242,312	\$ 16,635	\$ 1,325,501	\$ 2,148,235	\$ 1,567,813	\$ 2,164,870
Transfers	\$ 551,116	\$ 507,150	\$ (551,116)	\$ (507,150)	\$ -	\$ -
Increase (decrease) in net position	\$ 793,428	\$ 523,785	\$ 774,385	\$ 1,641,085	\$ 1,567,813	\$ 2,164,870
Net position - beginning of year, as previously reported	\$ 9,966,848	\$ 9,221,243	\$ 17,385,508	\$ 15,636,490	\$ 27,352,356	\$ 24,857,733
Restatement*	(221,820)	-	(107,933)	-	-	-
Net position - beginning of year, as restated	\$ 9,745,028	\$ 9,221,243	\$ 17,277,575	\$ 15,636,490	\$ 27,022,603	\$ 24,857,733
Net position - end of year	\$ 10,538,456	\$ 9,745,028	\$ 18,051,960	\$ 17,277,575	\$ 28,590,416	\$ 27,022,603

* Restatement of prior year net position for correction of accounts receivable & implementation of GASB Statement No. 101

Business-type activities increased the Town’s net position by \$774,385. Similar to how changes arise in the governmental activities, business-type activities also experience budgetary differences; however, as a public utility function comprises the Town’s business-type activities there is more of a direct correlation to the revenues generated relative to the expenses incurred because of service demands.

Financial Analysis of the Town’s Funds

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

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

In fiscal year 2025, the General Fund’s operating revenues exceeded expenditures by \$184,805.

At the end of the current fiscal year, unassigned fund balance of the General Fund was \$5,664,513. Nonspendable fund balance was \$44,882 and consisted of prepaid items.

Proprietary Fund: The Town’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the water and sewer funds at the end of the year amounted to (\$1,046,478). The total net position increased by \$774,385 from the prior year.

General Fund Budgetary Highlights

During the fiscal year, the Town’s actual revenue was over budget by \$197,781 with the surplus generated by revenues from the use of money and property and local taxes and revenues. Expenditures were under budget by \$866,526.

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, 2025, amounts to \$34.0 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and machinery and equipment as well as lease assets and construction in progress.

**Town of Orange, Virginia
Capital Assets (net of depreciation)
As of June 30, 2025 and June 30, 2024**

	Governmental		Business-type		Total	
	Activities		Activities			
	2025	2024	2025	2024	2025	2024
Land	\$ 1,147,466	\$ 1,147,466	\$ 258,292	\$ 258,292	\$ 1,405,758	\$ 1,405,758
Wastewater treatment plant	-	-	17,397,514	17,880,778	17,397,514	17,880,778
Buildings	1,459,139	1,539,350	1,474,695	1,564,717	2,933,834	3,104,067
Lease equipment	41,729	1,632	-	-	41,729	1,632
Lease buildings	136,590	182,119	-	-	136,590	182,119
Equipment and improvements	869,822	762,465	2,181,122	2,266,393	3,050,944	3,028,858
Road systems	2,810,254	3,159,147	-	-	2,810,254	3,159,147
Water storage facility	-	-	1,950,470	2,045,650	1,950,470	2,045,650
Construction in progress	499,835	343,650	3,768,654	2,796,161	4,268,489	3,139,811
Total	\$ 6,964,835	\$ 7,135,829	\$ 27,030,747	\$ 26,811,991	\$ 33,995,582	\$ 33,947,820

Additional information on the Town’s capital assets can be found in Note 5 on pages 41 through 43 of this report.

Capital Asset and Debt Administration: (Continued)

Long-term obligations: At the end of the current fiscal year, the Town had total outstanding obligations of \$10.9 million and details are summarized in the following table:

**Town of Orange, Virginia
Outstanding Obligations
As of June 30, 2025 and June 30, 2024**

	Governmental		Business-type		Total	
	Activities		Activities			
	2025	2024	2025	2024	2025	2024
Bonds Payable:						
General obligation bonds	\$ -	\$ 155,100	\$ 920,000	\$ 1,184,900	\$ 920,000	\$ 1,340,000
Revenue bonds	-	-	6,828,197	7,478,501	6,828,197	7,478,501
Lease liabilities	184,078	189,947	-	-	184,078	189,947
Net pension liability	1,545,327	1,068,349	517,861	358,017	2,063,188	1,426,366
Net OPEB liabilities	560,116	541,537	83,215	85,729	643,331	627,266
Compensated absences*	489,498	458,940	196,824	169,445	686,322	628,385
Total	<u>\$ 2,779,019</u>	<u>\$ 2,413,873</u>	<u>\$ 8,546,097</u>	<u>\$ 9,276,592</u>	<u>\$ 11,325,116</u>	<u>\$ 11,690,465</u>

Debt associated with governmental activities increased by \$365,146 while debt associated with business-type activities decreased by decreased by \$730,495.

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, 2025.

Additional information on the Town’s long-term obligations compliance can be found in Note 6.

Economic Factors and Next Year’s Budgets and Rates

Real estate assessments are conducted by the County of Orange every four years. The most recent property assessments were performed effective with tax year 2020. The real estate tax rate effective for calendar year 2025 is \$0.157 per \$100 of assessed value and personal property is \$0.62 per \$100 of assessed value. The fiscal year 2026 budget was approved by town council on May 19, 2025. The general government fiscal year 2025 budget totaled \$7.79 million including \$1.95 million for capital outlay.

Requests for Information

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

Basic Financial Statements

Government-wide Financial Statements

Statement of Net Position
As of June 30, 2025

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Industrial Development Authority
ASSETS				
Cash and cash equivalents	\$ 4,829,857	\$ 1,144,421	\$ 5,974,278	\$ 227,825
Investments	724,347	-	724,347	-
Receivables (net of allowance for uncollectibles)				
Taxes receivable	84,466	-	84,466	-
Accounts receivable	-	493,304	493,304	-
Other local receivables	229,568	-	229,568	-
Internal balances	1,314,016	(1,314,016)	-	-
Due from primary government	-	-	-	75,000
Lease receivable	-	320,411	320,411	-
Interest receivable	-	9,520	9,520	-
Due from other governments	98,157	180,225	278,382	-
Prepaid items	44,882	4,924	49,806	-
Restricted assets:				
Cash and cash equivalents	207,402	106,603	314,005	-
Capital assets (net of accumulated depreciation):				
Land	1,147,466	258,292	1,405,758	-
Wastewater treatment plant	-	17,397,514	17,397,514	-
Buildings	1,459,139	1,474,695	2,933,834	-
Lease equipment	41,729	-	41,729	-
Lease buildings	136,590	-	136,590	-
Equipment and improvements	869,822	2,181,122	3,050,944	-
Water storage facility	-	1,950,470	1,950,470	-
Road systems	2,810,254	-	2,810,254	-
Construction in progress	499,835	3,768,654	4,268,489	-
Total assets	\$ 14,497,530	\$ 27,976,139	\$ 42,473,669	\$ 302,825
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	\$ 790,059	\$ 264,759	\$ 1,054,818	\$ -
OPEB related items	157,701	11,742	169,443	-
Total deferred outflows of resources	\$ 947,760	\$ 276,501	\$ 1,224,261	\$ -
LIABILITIES				
Accounts payable and accrued expenses	\$ 102,878	\$ 133,840	\$ 236,718	\$ -
Retainage payable	-	101,400	101,400	-
Performance bonds payable	133,120	-	133,120	-
Accrued interest payable	-	11,171	11,171	-
Due to component unit	75,000	-	75,000	-
Unearned revenue	1,095,751	873,885	1,969,636	-
Deposits held	-	106,603	106,603	-
Long-term liabilities:				
Due within one year	104,169	769,986	874,155	-
Due in more than one year	2,674,850	7,776,111	10,450,961	-
Total liabilities	\$ 4,185,768	\$ 9,772,996	\$ 13,958,764	\$ -
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue-property taxes	\$ 11,659	\$ -	\$ 11,659	\$ -
Deferred revenue-leases	233,296	326,912	560,208	-
Pension related items	237,210	79,492	316,702	-
OPEB related items	238,901	21,280	260,181	-
Total deferred inflows of resources	\$ 721,066	\$ 427,684	\$ 1,148,750	\$ -
NET POSITION				
Net investment in capital assets	\$ 6,780,757	\$ 19,098,438	\$ 25,879,195	\$ -
Restricted for:				
Taylor park fund	74,282	-	74,282	-
Unrestricted (deficit)	3,683,417	(1,046,478)	2,636,939	302,825
Total net position	\$ 10,538,456	\$ 18,051,960	\$ 28,590,416	\$ 302,825

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

Statement of Activities
For the Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 1,512,859	\$ 488,940	\$ -	\$ -
Public safety	2,076,847	106,475	191,149	-
Public works	2,856,889	184,694	1,545,470	-
Parks, recreation, and cultural	30,071	-	4,500	-
Community development	356,957	6,394	-	-
Interest on long-term debt	1,113	-	-	-
Total governmental activities	\$ 6,834,736	\$ 786,503	\$ 1,741,119	\$ -
Business-type activities:				
Water	\$ 2,846,127	\$ 1,642,221	\$ -	\$ 1,731,328
Sewer	2,531,268	1,888,808	-	1,204,606
Total business-type activities	\$ 5,377,395	\$ 3,531,029	\$ -	\$ 2,935,934
Total primary government	\$ 12,212,131	\$ 4,317,532	\$ 1,741,119	\$ 2,935,934
COMPONENT UNIT:				
Industrial Development Authority	\$ 2,143	\$ -	\$ -	\$ -

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

Statement of Activities
For the Year Ended June 30, 2025

Functions/Programs	Net (Expense) Revenue and Changes in Net Position			
	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Industrial Development Authority
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ (1,023,919)	\$ -	\$ (1,023,919)	\$ -
Public safety	(1,779,223)	-	(1,779,223)	-
Public works	(1,126,725)	-	(1,126,725)	-
Parks, recreation, and cultural	(25,571)	-	(25,571)	-
Community development	(350,563)	-	(350,563)	-
Interest on long-term debt	(1,113)	-	(1,113)	-
Total governmental activities	\$ (4,307,114)	\$ -	\$ (4,307,114)	\$ -
Business-type activities:				
Water	\$ -	\$ 527,422	\$ 527,422	\$ -
Sewer	-	562,146	562,146	-
Total business-type activities	\$ -	\$ 1,089,568	\$ 1,089,568	\$ -
Total primary government	\$ (4,307,114)	\$ 1,089,568	\$ (3,217,546)	\$ -
COMPONENT UNIT:				
Industrial Development Authority	\$ -	\$ -	\$ -	\$ (2,143)
General revenues and transfers:				
General property taxes	\$ 886,880	\$ -	\$ 886,880	\$ -
Other local taxes:				
Local sales and use tax	446,925	-	446,925	-
Consumers' utility tax	222,720	-	222,720	-
Bank franchise tax	177,981	-	177,981	-
Restaurant food tax	1,928,651	-	1,928,651	-
Transient/occupancy tax	140,707	-	140,707	-
Tobacco tax	56,050	-	56,050	-
Other local taxes	115,545	-	115,545	-
Payment from Town of Orange - IDA	-	-	-	75,000
Unrestricted revenues from use of money	208,681	122,150	330,831	2,438
Miscellaneous	78,241	113,783	192,024	-
Grants and contributions not restricted to specific programs	262,816	-	262,816	-
Gain on disposal of surplus property	24,229	-	24,229	-
Transfers	551,116	(551,116)	-	-
Total general revenues	\$ 5,100,542	\$ (315,183)	\$ 4,785,359	\$ 77,438
Change in net position	\$ 793,428	\$ 774,385	\$ 1,567,813	\$ 75,295
Net position - beginning, as previously reported	9,966,848	17,385,508	27,352,356	227,530
Restatement	(221,820)	(107,933)	(329,753)	-
Net position - beginning, as restated	\$ 9,745,028	\$ 17,277,575	\$ 27,022,603	\$ 227,530
Net position - ending	\$ 10,538,456	\$ 18,051,960	\$ 28,590,416	\$ 302,825

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

Fund Financial Statements

Balance Sheet
 Governmental Funds
 As of June 30, 2025

	General	Taylor Park	Capital Projects	Total
ASSETS				
Cash and cash equivalents	\$ 4,802,845	\$ -	\$ 27,012	\$ 4,829,857
Investments	724,347	-	-	724,347
Receivables (net of allowance for uncollectibles):				
Taxes receivable	84,466	-	-	84,466
Other local receivables	229,568	-	-	229,568
Due from other funds	1,367,148	-	-	1,367,148
Due from other governmental units	98,157	-	-	98,157
Prepaid items	44,882	-	-	44,882
Restricted assets:				
Cash and cash equivalents	133,120	74,282	-	207,402
 Total assets	<u>\$ 7,484,533</u>	<u>\$ 74,282</u>	<u>\$ 27,012</u>	<u>\$ 7,585,827</u>
LIABILITIES				
Accounts payable and accrued expenses	\$ 102,878	\$ -	\$ -	\$ 102,878
Due to other funds	53,132	-	-	53,132
Performance bonds payable	133,120	-	-	133,120
Due to component unit	75,000	-	-	75,000
Unearned revenue	1,095,751	-	-	1,095,751
 Total liabilities	<u>\$ 1,459,881</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,459,881</u>
DEFERRED INFLOWS				
Unavailable revenue - property taxes	\$ 81,961	\$ -	\$ -	\$ 81,961
Unavailable revenue - leases	233,296	-	-	233,296
 Total deferred inflows	<u>\$ 315,257</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 315,257</u>
FUND BALANCES				
Nonspendable:				
Prepaid items	\$ 44,882	\$ -	\$ -	\$ 44,882
Restricted:				
Taylor Park fund	-	74,282	-	74,282
Assigned:				
Capital projects	-	-	27,012	27,012
Unassigned	5,664,513	-	-	5,664,513
 Total fund balances	<u>\$ 5,709,395</u>	<u>\$ 74,282</u>	<u>\$ 27,012</u>	<u>\$ 5,810,689</u>
 Total liabilities, deferred inflows, and fund balances	<u>\$ 7,484,533</u>	<u>\$ 74,282</u>	<u>\$ 27,012</u>	<u>\$ 7,585,827</u>

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

Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
As of June 30, 2025

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds		\$	5,810,689
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			6,964,835
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.			
Unavailable revenue related to property taxes			70,302
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.			
Pension related items	\$	790,059	
OPEB related items		<u>157,701</u>	947,760
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.			
Lease liabilities	\$	(184,078)	
Net pension liability		(1,545,327)	
Net OPEB liabilities		(560,116)	
Compensated absences		<u>(489,498)</u>	(2,779,019)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.			
Pension related items	\$	(237,210)	
OPEB related items		<u>(238,901)</u>	<u>(476,111)</u>
Net position of governmental activities			\$ <u><u>10,538,456</u></u>

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

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2025

	General	Taylor Park	Capital Projects	Total
REVENUES				
General property taxes	\$ 886,880	\$ -	\$ -	\$ 886,880
Other local taxes	3,088,579	-	-	3,088,579
Permits, privilege fees, and regulatory licenses	6,394	-	-	6,394
Fines and forfeitures	106,475	-	-	106,475
Revenue from the use of money and property	223,387	430	-	223,817
Charges for services	184,694	-	-	184,694
Miscellaneous	59,555	-	42,915	102,470
Recovered costs	18,367	-	-	18,367
Revenue from internal sources	443,414	-	-	443,414
Intergovernmental:				
Commonwealth	1,960,448	-	17,539	1,977,987
Federal	25,948	-	-	25,948
Total revenues	\$ 7,004,141	\$ 430	\$ 60,454	\$ 7,065,025
EXPENDITURES				
Current:				
General government administration	\$ 1,024,679	\$ -	\$ -	\$ 1,024,679
Public safety	2,059,735	-	-	2,059,735
Public works	2,410,108	-	-	2,410,108
Parks, recreation, and cultural	26,777	-	-	26,777
Community development	240,223	-	-	240,223
Nondepartmental	333,893	-	-	333,893
Capital outlay	515,240	-	37,405	552,645
Debt service:				
Principal retirement	155,100	-	-	155,100
Interest and other fiscal charges	1,590	-	-	1,590
Retirement of capital lease (principal & interest)	51,991	-	-	51,991
Total expenditures	\$ 6,819,336	\$ -	\$ 37,405	\$ 6,856,741
Excess (deficiency) of revenues over (under) expenditures	\$ 184,805	\$ 430	\$ 23,049	\$ 208,284
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (9,887)	\$ -	\$ -	\$ (9,887)
Transfers in	561,003	-	-	561,003
Issuance of capital lease	46,122	-	-	46,122
Total other financing sources (uses)	\$ 597,238	\$ -	\$ -	\$ 597,238
Net change in fund balances	\$ 782,043	\$ 430	\$ 23,049	\$ 805,522
Fund balances - beginning, as previously reported	4,857,352	73,852	3,963	4,935,167
Restatement	70,000	-	-	70,000
Fund balances - beginning, as restated	\$ 4,927,352	\$ 73,852	\$ 3,963	\$ 5,005,167
Fund balances - ending	\$ 5,709,395	\$ 74,282	\$ 27,012	\$ 5,810,689

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

Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2025

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

Net change in fund balances - total governmental funds	\$	805,522
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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	\$	458,869	
Depreciation expense		<u>(629,863)</u>	(170,994)

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

Property taxes			30,390
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. Details supporting this adjustment are as follows:

Principal retired on general obligation bonds	\$	155,100	
Issuance of lease liability		(46,122)	
Principal retired on lease liabilities		<u>51,991</u>	160,969

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

Change in accrued interest payable	\$	1,306	
Change in compensated absences		(30,558)	
Change in pension related items		18,331	
Change in OPEB related items		(20,706)	
Amortization of deferred charge on refunding		<u>(832)</u>	<u>(32,459)</u>

Change in net position of governmental activities			\$ <u><u>793,428</u></u>
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The notes to financial statements are an integral part of this statement.

Statement of Net Position
Proprietary Funds
As of June 30, 2025

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 3,227,941	\$ -	\$ 3,227,941
Accounts receivable (net of allowances for uncollectibles)	232,831	260,473	493,304
Restricted assets:			
Cash and cash equivalents	106,603	-	106,603
Due from other funds	-	53,132	53,132
Lease receivable - current portion	14,652	-	14,652
Interest receivable	9,520	-	9,520
Due from other governmental units	159,982	20,243	180,225
Prepaid items	2,068	2,856	4,924
Total current assets	\$ 3,753,597	\$ 336,704	\$ 4,090,301
Noncurrent assets:			
Lease receivable - net of current portion	\$ 305,759	\$ -	\$ 305,759
Capital assets (net of accumulated depreciation):			
Land	\$ 170,251	\$ 88,041	\$ 258,292
Waste water treatment plant	-	17,397,514	17,397,514
Buildings	320,701	1,153,994	1,474,695
Equipment and improvements	1,316,875	864,247	2,181,122
Water storage facility	1,950,470	-	1,950,470
Construction in progress	2,989,602	779,052	3,768,654
Total capital assets, net	\$ 6,747,899	\$ 20,282,848	\$ 27,030,747
Total noncurrent assets	\$ 7,053,658	\$ 20,282,848	\$ 27,336,506
Total assets	\$ 10,807,255	\$ 20,619,552	\$ 31,426,807
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 118,034	\$ 146,725	\$ 264,759
OPEB related items	5,634	6,108	11,742
Total deferred outflows of resources	\$ 123,668	\$ 152,833	\$ 276,501
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	\$ 110,630	\$ 23,210	\$ 133,840
Accrued interest payable	11,171	-	11,171
Bank overdraft payable	-	2,083,520	2,083,520
Customer deposits held	106,603	-	106,603
Compensated absences, current portion	7,616	12,066	19,682
Retainage payable	101,400	-	101,400
Unearned revenue	873,885	-	873,885
Bonds payable, current portion	100,000	650,304	750,304
Total current liabilities	\$ 1,311,305	\$ 2,769,100	\$ 4,080,405
Noncurrent liabilities:			
Due to other funds	\$ 1,367,148	\$ -	\$ 1,367,148
Net pension liability	230,872	286,989	517,861
Net OPEB liabilities	42,183	41,032	83,215
Compensated absences, net of current portion	68,545	108,597	177,142
Bonds payable, net of current portion	820,000	6,177,893	6,997,893
Total noncurrent liabilities	\$ 2,528,748	\$ 6,614,511	\$ 9,143,259
Total liabilities	\$ 3,840,053	\$ 9,383,611	\$ 13,223,664
DEFERRED INFLOWS OF RESOURCES			
Pension related items	\$ 35,439	\$ 44,053	\$ 79,492
OPEB related items	10,782	10,498	21,280
Lease related items	326,912	-	326,912
Total deferred inflows of resources	\$ 373,133	\$ 54,551	\$ 427,684
NET POSITION			
Net investment in capital assets	\$ 5,643,787	\$ 13,454,651	\$ 19,098,438
Unrestricted (deficit)	1,073,950	(2,120,428)	(1,046,478)
Total net position	\$ 6,717,737	\$ 11,334,223	\$ 18,051,960

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

Statement of Revenues, Expenses, and Changes in Net Position
 Proprietary Funds
 For the Year Ended June 30, 2025

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
OPERATING REVENUES			
Charges for services:			
Charges for services and connection fees	\$ 1,642,221	\$ 1,888,808	\$ 3,531,029
Miscellaneous	33,933	79,850	113,783
Total operating revenues	\$ 1,676,154	\$ 1,968,658	\$ 3,644,812
OPERATING EXPENSES			
Personnel services	\$ 422,661	\$ 490,382	\$ 913,043
Fringe benefits	189,016	195,911	384,927
Contractual services/maintenance	1,106,219	339,486	1,445,705
Materials and supplies	437,427	418,161	855,588
Utilities	181,482	187,302	368,784
Internal services	239,887	203,527	443,414
Other charges	100	16,409	16,509
Depreciation	241,225	679,845	921,070
Total operating expenses	\$ 2,818,017	\$ 2,531,023	\$ 5,349,040
Operating income (loss)	\$ (1,141,863)	\$ (562,365)	\$ (1,704,228)
NONOPERATING REVENUES (EXPENSES)			
Interest earned	\$ 122,150	\$ -	\$ 122,150
Interest and fiscal charges	(28,110)	(245)	(28,355)
Total nonoperating revenues (expenses)	\$ 94,040	\$ (245)	\$ 93,795
Income (loss) before capital contributions, grants, and transfers	\$ (1,047,823)	\$ (562,610)	\$ (1,610,433)
Capital contributions and grants	\$ 1,731,328	\$ 1,204,606	\$ 2,935,934
TRANSFERS			
Transfers in	\$ -	\$ -	\$ -
Transfers out	(154,289)	(396,827)	(551,116)
Net transfers	\$ (154,289)	\$ (396,827)	\$ (551,116)
Change in net position	\$ 529,216	\$ 245,169	\$ 774,385
Net position - beginning, as previously reported	\$ 6,228,496	\$ 11,157,012	\$ 17,385,508
Restatement	(39,975)	(67,958)	(107,933)
Net position - beginning, as restated	\$ 6,188,521	\$ 11,089,054	\$ 17,277,575
Net position - ending	\$ 6,717,737	\$ 11,334,223	\$ 18,051,960

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

Statement of Cash Flows
 Proprietary Funds
 For the Year Ended June 30, 2025

	<u>Enterprise Funds</u>		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,633,713	\$ 1,938,413	\$ 3,572,126
Payments to suppliers	(2,037,506)	(793,741)	(2,831,247)
Payments to and on behalf of employees	(601,997)	(676,889)	(1,278,886)
Net cash provided by (used for) operating activities	<u>\$ (1,005,790)</u>	<u>\$ 467,783</u>	<u>\$ (538,007)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Net transfers to/from other funds	<u>\$ (154,289)</u>	<u>\$ (396,827)</u>	<u>\$ (551,116)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	\$ (631,082)	\$ (488,571)	\$ (1,119,653)
Capital contributions	573,892	1,204,606	1,778,498
Principal payments on bonds	(129,600)	(785,604)	(915,204)
Interest payments	(29,537)	(1,387)	(30,924)
Net cash provided by (used for) capital and related financing activities	<u>\$ (216,327)</u>	<u>\$ (70,956)</u>	<u>\$ (287,283)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	<u>\$ 122,565</u>	<u>\$ -</u>	<u>\$ 122,565</u>
Net increase (decrease) in cash and cash equivalents	\$ (1,253,841)	\$ -	\$ (1,253,841)
Cash and cash equivalents - beginning (including restricted)	<u>4,588,385</u>	<u>-</u>	<u>4,588,385</u>
Cash and cash equivalents - ending (including restricted)	<u>\$ 3,334,544</u>	<u>\$ -</u>	<u>\$ 3,334,544</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (1,141,863)	\$ (562,365)	\$ (1,704,228)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation expense	241,225	679,845	921,070
Changes in operating assets, deferred outflows of resources, liabilities, and deferred inflows of resources:			
(Increase) decrease in accounts receivables	(35,243)	(30,245)	(65,488)
(Increase) decrease in lease receivable	13,935	-	13,935
(Increase) decrease in due from other governmental units	(41,800)	(4,515)	(46,315)
(Increase) decrease in prepaid items	747	4,901	5,648
(Increase) decrease in deferred outflows of resources - pension	(66,103)	(82,171)	(148,274)
(Increase) decrease in deferred outflows of resources - OPEB	637	530	1,167
Increase (decrease) in accounts payable and accrued expenses	(31,338)	(10,661)	(41,999)
Increase (decrease) in bank overdraft payable	-	381,419	381,419
Increase (decrease) in deposits held	3,233	-	3,233
Increase (decrease) in net pension liability	71,262	88,582	159,844
Increase (decrease) in net OPEB liabilities	(1,116)	(1,398)	(2,514)
Increase (decrease) in compensated absences	13,317	14,062	27,379
Increase (decrease) in deferred inflows of resources - pension	(7,895)	(9,815)	(17,710)
Increase (decrease) in deferred inflows of resources - OPEB	(422)	(386)	(808)
Increase (decrease) in deferred inflows of resources - leases	(24,366)	-	(24,366)
Net cash provided by (used for) operating activities	<u>\$ (1,005,790)</u>	<u>\$ 467,783</u>	<u>\$ (538,007)</u>
I Schedule of noncash capital and related financing activities:			
Retainage related to capital assets (change in retainage payable)	<u>\$ 20,173</u>	<u>\$ -</u>	<u>\$ 20,173</u>

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

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Financial Reporting Entity

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

Individual Component Unit Disclosures

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

Related Organizations

The Town has no related organizations.

Jointly Governed Organizations

The Town has no jointly governed organizations.

B. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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 principal and interest expenditures on general long-term debt, including lease and subscription liabilities, as well as expenditures related to compensated absences, claims and judgments, postemployment benefits, and environmental obligations are recognized later based on specific accounting rules applicable to each, generally when payment is due. General capital asset acquisitions, including entering into contracts giving the government the right to use lease and subscription assets, are reported as expenditures in the governmental funds. Issuance of long-term debt and financing through leases and subscriptions are reported as other financing sources.

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

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

- a. General Fund

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

- b. Capital Projects Fund

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

- c. Special Revenue Funds

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

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

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

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

Enterprise Funds

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

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

D. Budgets and Budgetary Accounting

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

1. Prior to March 30, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund level. The appropriation for each fund can be revised only by the Town Council.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) except that enterprise fund budgets are adopted on the modified accrual basis of accounting.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

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

D. Budgets and Budgetary Accounting: (Continued)

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

Excess expenditures over appropriations:

<u>Fund</u>	<u>Excess of Expenditures Over Appropriations</u>
General	
Public Safety	\$ 105,471
Public Works	220,310
Nondepartmental	79,355
Debt Service	51,992
Total	<u>\$ 457,128</u>

E. Receivables and Payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. As of June 30, 2025, the allowances amounted to \$21,763 for property taxes, \$92,179 for water charges and \$133,333 for sewer charges.

F. Cash and Cash Equivalents

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

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

G. Restricted Assets

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

H. Leases

The Town leases various assets requiring recognition. A lease is a contract that conveys control of the right to use another entity's nonfinancial asset. Lease recognition does not apply to short-term leases, contracts that transfer ownership, leases of assets that are investments, or certain regulated leases.

Lessee

The Town recognizes lease liabilities and intangible right-to-use lease assets (lease assets) with an initial value of \$5,000 in the aggregate in the government-wide financial statements. At the commencement of the lease, the lease liability is measured at the present value of payments expected to be made during the lease term (less any lease incentives). Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is measured at the initial amount of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. Subsequently, the lease asset is amortized over the shorter of the lease term or the useful life of the underlying asset.

Lessor

The Town recognizes leases receivable and deferred inflows of resources in the government-wide and governmental fund financial statements. At commencement of the lease, the lease receivable is measured at the present value of lease payments expected to be received during the lease term, reduced by any provision for estimated uncollectible amounts. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is measured at the initial amount of the lease receivable, less lease payments received from the lessee at or before the commencement of the lease term (less any lease incentives). Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key Estimates and Judgments

Lease accounting includes estimates and judgments for determining the (1) rate used to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Town uses the interest rate stated in lease contracts. When the interest rate is not provided or the implicit rate cannot be readily determined, the Town uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease and certain periods covered by options to extend to reflect how long the lease is expected to be in effect, with terms and conditions varying by the type of underlying asset.
- Fixed and certain variable payments as well as lease incentives and certain other payments are included in the measurement of the lease liability (lessee) or lease receivable (lessor).

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

H. Leases (Continued)

The Town monitors changes in circumstances that would require a remeasurement or modification of its leases. The Town will remeasure the lease asset and liability (lessee) or the lease receivable and deferred inflows of resources (lessor) if certain changes occur that are expected to significantly affect the amount of the lease liability or lease receivable.

I. Capital Assets

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

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

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

Land and construction in progress are not depreciated. The other capital assets are depreciated/amortized using the straight-line method over the following estimated useful lives:

Buildings	50 Years
Utility Plant & Lines	50 Years
Automobiles	5-7 Years
Equipment	7-10 Years
Infrastructure	75 Years
Lease Buildings	7-20 Years*
Lease Equipment	3-10 Years*

*Lease assets are amortized over the term of the lease or their useful life, whichever is shorter.

J. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has one item that qualifies for reporting in this category. The item is comprised of certain items related to pension and OPEB. For more detailed information on these items, reference the related notes.

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

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

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has multiple items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30 and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. In addition, certain items related to pension, OPEB, and leases are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

K. Compensated Absences

The Town recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled (for example paid in cash to the employee or payment to an employee flex spending account) during or upon separation from employment. Based on the criteria listed, two types of leave qualify for liability recognition for compensated absences – vacation and sick leave. The liability for compensated absences is reported as incurred in the government-wide and proprietary fund financial statements. A liability for compensated absences is recorded in the government funds only if the liability has matured because of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

Vacation

The Town's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment at the employee's current pay rate upon separation from employment.

Sick Leave

The Town's policy permits employees to accumulate earned but unused sick leave. All sick leave lapses when employees leave the employ of the Town and, upon separation from service, no monetary obligation exists. However, a liability for estimated value of sick leave that will be used by employees as time off is included in the liability for compensated absences.

L. Long-term Obligations

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

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

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

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

M. Property Taxes

Real property is assessed by Orange County, Virginia at its value historically on January 1 and is payable semi-annually on December 5th and June 5th. Beginning in fiscal year 2025, the County aligned its tax year to match its fiscal year (July 1 – June 30), whereas previously it was aligned with the calendar year. Because there is a six month difference in the two cycles, the transition required the creation of an interim one-time fiscal year running from January 1, 2025 – June 30, 2025, which is authorized by the Code of Virginia (Code § 58.1-3010). Going forward, the December bill will now be the first half RE bill, and the June bill will be the second half, since the new tax year cycle will be July 1 – June 30. 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.

N. 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.

O. Prepaid Items

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

P. Net Position

For government-wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

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

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

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

Q. Investments

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

R. Fund Balance

In governmental fund types, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called “fund balance.” The Town’s governmental funds report the following categories of fund balance, based on the nature of any limitations requiring the use of resources for specific purposes:

- Nonspendable fund balance – amounts that are either not in spendable form (such as inventory and prepaids) or are legally or contractually required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance – amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation. Restrictions may be changed or lifted only with the consent of the resource providers;
- Committed fund balance – amounts that can be used only for the specific purposes determined by the passage of a resolution committing fund balance for a specified purpose by the Town Council prior to the end of the fiscal year. Once adopted, the limitation imposed by the ordinance remains in place until the resources have been spent for the specified purpose or the Council adopts another ordinance to remove or revise the limitation;
- Assigned fund balance – amounts a government intends to use for a specific purpose but do not meet the criteria to be classified as committed; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are only reported in the general fund. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

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

Town Council establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment, which does not lapse at year end, is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by Town Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

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

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

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

S. Pensions

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

T. Other Postemployment Benefits (OPEB)

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

U. Adoption of Accounting Principles:

During the current year, the Town implemented GASB Statement No. 101, *Compensated Absences*. In addition to the value of unused vacation time owed to employees upon separation of employment, the Town now recognizes an estimated amount of sick leave earned as of year-end that will be used by employees as time off for future years as part of the liability for compensated absences. Since the impact of the change in accounting principle was not significant, there was no restatement of beginning balances related to this implementation.

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u> <u>Government-wide</u>
Net position, as reported, at June 30, 2024	\$ 9,966,848	\$ 17,385,508	\$ 27,352,356
Restatement for GASB 101 implementation	(291,820)	(107,933)	(399,753)
Net position, as restated, June 30, 2024	<u>\$ 9,675,028</u>	<u>\$ 17,277,575</u>	<u>\$ 26,952,603</u>

V. Upcoming Pronouncements

Statement No. 103, *Financial Reporting Model Improvements*, improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025.

Statement No. 104, *Disclosure of Certain Capital Assets*, requires certain types of assets (lease assets, subscription assets, intangible right-to-use assets, and other intangible assets) to be disclosed separately in the capital asset note disclosures by major class of underlying asset. It also requires additional disclosures for capital assets held for sale. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

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

V. Upcoming Pronouncements: (Continued)

Implementation Guide No. 2025-1, *Implementation Guidance Update—2025*, effective for fiscal years beginning after June 15, 2025.

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

NOTE 2—DEPOSITS AND INVESTMENTS:

Deposits:

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

Investments:

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper that has received at least two of the following ratings: P-1 by Moody’s Investors Service, Inc.; A-1 by Standard & Poor’s; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker’s acceptances, repurchase agreements, and the State Treasurer’s Local Government Investment Pool (LGIP).

Custodial Credit Risk (Investments):

The Town does not have an investment policy.

The Town’s investments at June 30, 2025 were held by the Town or in the Town’s name by the Town’s custodial banks.

Town's Rated Debt Investments		
<u>Rated Debt Investments Value</u>	<u>Fair Quality Ratings</u>	
	<u>AAAm</u>	<u>AA+f</u>
Local Government Investment Pool	\$ 10,529	\$ -
VACO/VML Virginia Investment Pool	<u>1,004,339</u>	<u>724,347</u>
Total	<u>\$ 1,014,868</u>	<u>\$ 724,347</u>

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

Interest Rate Risk:

The Town reports investments and the maturities as follows:

<u>Investment Type</u>	<u>Investment Maturity*</u>		
	<u>Value</u>	<u>Less than 1</u>	<u>1-5 Years</u>
Local Government Investment Pool	\$ 10,529	\$ 10,529	\$ -
VACO/VML Virginia Investment Pool	1,728,686	1,004,339	724,347
Total investments	<u>\$ 1,739,215</u>	<u>\$ 1,014,868</u>	<u>\$ 724,347</u>

* Weighted average maturity in years.

External Investment Pool:

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

Redemption Restrictions:

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

Fair Value Measurements:

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

NOTE 3—DUE FROM OTHER GOVERNMENTS:

Commonwealth of Virginia:	
Communications tax	\$ 18,293
Auto rental tax	8,435
Nutrient exchange	20,243
County of Orange:	
Local Sales Tax	71,429
Federal:	
Virginia Department of Health - CSLFRF	<u>159,982</u>
Total	<u>\$ 278,382</u>

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

NOTE 4—LEASE RECEIVABLE:

The Town leases land for a cell tower to a third party. The original lease agreement was with Cellco Partnership dba Verizon Wireless, which took effect July 1, 2018 was for five years with four optional renewal terms of five years. Pursuant to the assignment and Assumption of Lease dated October 6, 2020, Cellco Partnership dba Verizon Wireless, assigned all of its rights, title and interest in and to the original agreement, to TowerCom VI-B, LLC. The lease was amended November 30, 2022 for a one-time lump sum payment in the amount of \$250,000 and to expire May 31, 2060, causing the lease to be remeasured. There was no receivable related to this agreement at June 30, 2025, and the deferred inflow at that date was \$233,296. Lease revenue was \$6,681 for the year ended June 30, 2025.

The Town also has a cellular antenna location lease with Sprint Spectrum Realty Company, LLC. The original lease agreement was dated August 18, 2008. During 2024 the lease was modified to include 2 additional 5 year terms. The lease is now expected to expire in November 2028. The lease receivable and deferred inflow at June 30, 2025 were \$320,411 and \$326,912, respectively. Lease revenue and lease interest revenue were \$24,366 and \$16,797, respectively for the year ended June 30, 2025.

NOTE 5—CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2025 was as follows:

	<u>Balance July 1, 2024</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2025</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,147,466	\$ -	\$ -	\$ 1,147,466
Construction in progress	343,650	156,185	-	499,835
Total capital assets, not being depreciated	<u>\$ 1,491,116</u>	<u>\$ 156,185</u>	<u>\$ -</u>	<u>\$ 1,647,301</u>
Capital assets, being depreciated:				
Buildings	\$ 3,125,805	\$ -	\$ -	\$ 3,125,805
Lease equipment	21,234	46,122	(21,234)	46,122
Lease buildings	318,706	-	-	318,706
Equipment and improvements	4,401,026	256,562	(90,294)	4,567,294
Road systems	7,339,849	-	-	7,339,849
Total capital assets being depreciated	<u>\$ 15,206,620</u>	<u>\$ 302,684</u>	<u>\$ (111,528)</u>	<u>\$ 15,397,776</u>
Less accumulated depreciation for:				
Buildings	\$ (1,586,455)	\$ (80,211)	\$ -	\$ (1,666,666)
Lease equipment	(19,602)	(6,025)	21,234	(4,393)
Lease buildings	(136,587)	(45,529)	-	(182,116)
Equipment and improvements	(3,638,561)	(149,205)	90,294	(3,697,472)
Road systems	(4,180,702)	(348,893)	-	(4,529,595)
Total accumulated depreciation	<u>\$ (9,561,907)</u>	<u>\$ (629,863)</u>	<u>\$ 111,528</u>	<u>\$ (10,080,242)</u>
Total capital assets, being depreciated, net	<u>\$ 5,644,713</u>	<u>\$ (327,179)</u>	<u>\$ -</u>	<u>\$ 5,317,534</u>
Governmental activities capital assets, net	<u>\$ 7,135,829</u>	<u>\$ (170,994)</u>	<u>\$ -</u>	<u>\$ 6,964,835</u>

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

NOTE 5—CAPITAL ASSETS: (CONTINUED)

	<u>Balance July 1, 2024</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2025</u>
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 258,292	\$ -	\$ -	\$ 258,292
Construction in progress	2,796,161	972,493		3,768,654
Total capital assets, not being depreciated	<u>\$ 3,054,453</u>	<u>\$ 972,493</u>	<u>\$ -</u>	<u>\$ 4,026,946</u>
Capital assets, being depreciated:				
Buildings	\$ 4,431,352	\$ -	\$ -	\$ 4,431,352
Wastewater treatment plant	24,163,214	-	-	24,163,214
Equipment and improvements	11,513,787	167,333	-	11,681,120
Water storage facility	3,807,196	-	-	3,807,196
Total capital assets being depreciated	<u>\$ 43,915,549</u>	<u>\$ 167,333</u>	<u>\$ -</u>	<u>\$ 44,082,882</u>
Less accumulated depreciation for:				
Buildings	\$ (2,866,635)	\$ (90,022)	\$ -	\$ (2,956,657)
Wastewater treatment plant	(6,282,436)	(483,264)	-	(6,765,700)
Equipment and improvements	(9,247,394)	(252,604)	-	(9,499,998)
Water storage facility	(1,761,546)	(95,180)	-	(1,856,726)
Total accumulated depreciation	<u>\$ (20,158,011)</u>	<u>\$ (921,070)</u>	<u>\$ -</u>	<u>\$ (21,079,081)</u>
Total capital assets, being depreciated, net	<u>\$ 23,757,538</u>	<u>\$ (753,737)</u>	<u>\$ -</u>	<u>\$ 23,003,801</u>
Business-type activities capital assets, net	<u>\$ 26,811,991</u>	<u>\$ 218,756</u>	<u>\$ -</u>	<u>\$ 27,030,747</u>

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

Governmental activities:	
General government administration	\$ 159,542
Public safety	113,988
Public works	353,039
Parks, recreation and cultural	3,294
Total depreciation expense - governmental activities	<u>\$ 629,863</u>
Business-type activities:	
Water	\$ 241,225
Sewer	679,845
Total depreciation expense - business-type activities	<u>\$ 921,070</u>

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

NOTE 5—CAPITAL ASSETS: (CONTINUED)

At June 30, 2025, the Town had one contracted project underway, which is presented in the financial statements as construction in progress. Presented is a list of major projects, contract amounts, expenditures to date, and balances of contracts remaining:

<u>Project</u>	<u>Contract Amount</u>	<u>Expenditures to Date</u>	<u>Balance of Contract</u>
Marshall Road Standpipe Project	\$ 2,039,201	\$ 168,402	\$ 1,870,799
Total	<u>\$ 2,039,201</u>	<u>\$ 168,402</u>	<u>\$ 1,870,799</u>

NOTE 6—LONG-TERM OBLIGATIONS:

Governmental Activities:

Changes in Long-term Obligations:

The following is a summary of long-term obligation transactions of the Town for the year ended June 30, 2025:

	<u>Balance July 1, 2024</u>	<u>Issuances/ Increases</u>	<u>Retirements/ Decreases</u>	<u>Balance June 30, 2025</u>
Net Pension Liability (Note 8)	\$ 1,068,349	\$ 1,770,266	\$ 1,293,288	\$ 1,545,327
Net OPEB Liabilities (Note 12)	541,537	359,980	341,401	560,116
Compensated Absences (Note 7)*	458,940	30,558	-	489,498
Lease Liabilities	189,947	46,122	51,991	184,078
Direct borrowings and direct placements:				
General Obligation Bonds	<u>155,100</u>	<u>-</u>	<u>155,100</u>	<u>-</u>
Total	<u>\$ 2,413,873</u>	<u>\$ 2,206,926</u>	<u>\$ 1,841,780</u>	<u>\$ 2,779,019</u>

* The change in compensated absences is a net change for the year.

The Town implemented the provisions of GASB Statement No. 101, accordingly the beginning balance reported for compensated absences has been restated.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

NOTE 6—LONG-TERM OBLIGATIONS: (CONTINUED)

Governmental Activities: (Continued)

Changes in Long-term Obligations: (Continued)

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

Year Ending June 30,	Lease Liabilities	
	Principal	Interest
2026	\$ 55,219	\$ 2,828
2027	55,775	2,005
2028	56,617	1,163
2029	9,260	520
2030	7,207	128
Total	\$ 184,078	\$ 6,644

Details of Long-term Obligations:

	Total Amount	Amount Due Within One Year
<u>Lease Liabilities:</u>		
Lease agreement for the use of 249 Blue Ridge Drive entered into on June 27, 2018. The lease agreement is for 60 payments of \$3,750 through June 1, 2023 with an option to extend the term for an additional 60 payments of \$4,000. A discount rate of 1.00% was used for this lease.	\$ 141,921	\$ 46,914
Lease agreement for the use of copiers entered into on December 10, 2024. The lease agreement is for 63 payments of \$815 through March 1, 2030. A discount rate of 4.24% was used for this lease.	42,157	8,305
Total Lease Liabilities	\$ 184,078	\$ 55,219
Net pension liability (Note 8)	\$ 1,545,327	\$ -
Compensated absences (Note 7)	489,498	48,950
Net OPEB liabilities (Note 12)	560,116	-
Total governmental activities long-term obligations	\$ 2,779,019	\$ 104,169

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

NOTE 6—LONG-TERM OBLIGATIONS: (CONTINUED)

Business-type Activities:

Changes in Long-term Obligations:

	<u>Balance July 1, 2024</u>	<u>Issuances/ Increases</u>	<u>Retirements/ Decreases</u>	<u>Balance June 30, 2025</u>
Net Pension Liability (Note 8)	\$ 358,017	\$ 593,243	\$ 433,399	\$ 517,861
Net OPEB Liabilities (Note 12)	85,729	18,040	20,554	83,215
Compensated Absences (Note 7)*	169,445	27,379	-	196,824
Direct borrowings and direct placements:				
General Obligation Bonds	1,184,900	-	264,900	920,000
Revenue Bonds	<u>7,478,501</u>	<u>-</u>	<u>650,304</u>	<u>6,828,197</u>
Total	<u>\$ 9,276,592</u>	<u>\$ 638,662</u>	<u>\$ 1,369,157</u>	<u>\$ 8,546,097</u>

* The change in compensated absences is a net change for the year.

The Town implemented the provisions of GASB Statement No. 101, accordingly the beginning balance reported for compensated absences has been restated.

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

<u>Year Ending June 30,</u>	<u>Direct Borrowings and Direct Placements</u>	
	<u>Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2026	\$ 750,304	\$ 26,403
2027	750,304	23,453
2028	750,304	20,503
2029	755,304	17,553
2030	760,304	14,381
2031-2036	<u>3,981,677</u>	<u>24,336</u>
Total	<u>\$ 7,748,197</u>	<u>\$ 126,629</u>

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

NOTE 6—LONG TERM OBLIGATIONS: (CONTINUED)

Business-type Activities: (Continued)

Details of Long-term Obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>Direct Borrowings and Direct Placements:</u>		
<u>Bonds Payable:</u>		
\$16,177,744 Revenue bonds, Series 2008 issued May 1, 2008 payable in semi-annual principal payments of \$325,152 beginning May 1, 2011. Interest at 0.0%. Final payment due December 2035.	\$ 6,828,197	\$ 650,304
\$1,845,000 General obligation bonds issued July 22, 2013 payable in semi-annual principal payments beginning February 1, 2014 ranging from \$35,000 to \$60,000 and semi-annual interest payments at 2.95%. Final payment due August 1, 2033.	<u>920,000</u>	<u>100,000</u>
Total bonds payable	\$ <u>7,748,197</u>	\$ <u>750,304</u>
Net pension liability (Note 8)	\$ 517,861	\$ -
Compensated absences (Note 7)	196,824	19,682
Net OPEB liabilities (Note 12)	<u>83,215</u>	<u>-</u>
Total business-type activities long-term obligations	\$ <u><u>8,546,097</u></u>	\$ <u><u>769,986</u></u>

Events of Default

In the event of default on revenue bonds, the Lender may declare the entire unpaid principal and interest on the issuance as due and payable.

In the event of default for any general obligation bond, the Commonwealth of Virginia may withhold state aid from the locality until such time that the event of default is cured in accordance with Section 15.2-2659 of the Code of Virginia, 1950 as amended.

NOTE 7—COMPENSATED ABSENCES:

Town employees earn annual leave at various rates. Town employees with 5 years of service will be paid 25% of their eligible sick pay capped at \$4,000. Accumulated vacation and banked holidays are paid upon termination up to a maximum of 240 hours. The Town's general fund has outstanding compensated absences totaling \$489,498 and the Enterprise Funds have outstanding compensated absences of \$196,824.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

NOTE 8—PENSION PLAN:

Plan Description

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

Benefit Structures

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

- a. Employees with a membership date before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- b. Employees with a membership date from July 1, 2010 to December 31, 2013, that have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before January 1, 2013, are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- c. Non-hazardous duty employees with a membership date on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 – April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service credit equals 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

NOTE 8—PENSION PLAN: (CONTINUED)

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee’s average final compensation multiplied by the employee’s total service credit. Under Plan 1, average final compensation is the average of the employee’s 36 consecutive months of highest compensation and the multiplier is 1.70% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee’s 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee’s 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

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

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

Employees Covered by Benefit Terms

As of the June 30, 2023 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	53
Inactive members:	
Vested inactive members	24
Non-vested inactive members	28
Inactive members active elsewhere in VRS	<u>46</u>
Total inactive members	98
Active members	<u>45</u>
Total covered employees	<u><u>196</u></u>

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

NOTE 8—PENSION PLAN: (CONTINUED)

Contributions: (Continued)

The Town's contractually required employer contribution rate for the year ended June 30, 2025 was 17.53% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$517,654 and \$464,082 for the years ended June 30, 2025 and June 30, 2024, respectively.

The defined contributions component of the Hybrid plan includes member and employer mandatory and voluntary contributions. The Hybrid plan member must contribute a mandatory rate of 1% of their covered payroll. The employer must also contribute a mandatory rate of 1% of this covered payroll, which totaled \$6,428 for the year ended June 30, 2025. Hybrid plan members may also elect to contribute an additional voluntary rate of up to 4% of their covered payroll; which would require the employer a mandatory additional contribution rate of up to 2.5%. This additional employer mandatory contribution totaled \$12,433 for the year ended June 30, 2025. The total Hybrid plan participant covered payroll totaled \$642,836 for the year ended June 30, 2025.

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. The Town's net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2023, and rolled forward to the measurement date of June 30, 2024.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2023, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024.

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

Mortality rates:

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

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

NOTE 8—PENSION PLAN: (CONTINUED)

Actuarial Assumptions – General Employees: (Continued)

Mortality rates: (Continued)

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Town’s Retirement Plan was based on an actuarial valuation as of June 30, 2023, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024.

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

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

NOTE 8—PENSION PLAN: (CONTINUED)

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

Mortality rates:

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

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males and females set forward 2 years

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

NOTE 8—PENSION PLAN: (CONTINUED)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	32.00%	6.70%	2.14%
Fixed Income	16.00%	5.40%	0.86%
Credit Strategies	16.00%	8.10%	1.30%
Real Assets	15.00%	7.20%	1.08%
Private Equity	15.00%	8.70%	1.31%
PIP - Private Investment Partnerships	1.00%	8.00%	0.08%
Diversifying Strategies	6.00%	5.80%	0.35%
Cash	2.00%	3.00%	0.06%
Leverage	-3.00%	3.50%	-0.11%
Total	100.00%		7.07%
		Expected arithmetic nominal return**	7.07%

*The above allocation provides a one-year expected return of 7.07% (includes 2.50% inflation assumption). However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.10%, including expected inflation of 2.50%.

**On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

NOTE 8—PENSION PLAN: (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. For the year ended June 30, 2024, the employer contribution rate was 100% of the actuarially determined employer contribution rate from the June 30, 2023 actuarial valuations. From July 1, 2024 on, participating employers and school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2023	\$ 13,107,608	\$ 11,681,241	\$ 1,426,367
Changes for the year:			
Service cost	\$ 373,810	\$ -	\$ 373,810
Interest	885,486	-	885,486
Differences between expected and actual experience	1,096,709	-	1,096,709
Contributions - employer	-	464,048	(464,048)
Contributions - employee	-	130,391	(130,391)
Net investment income	-	1,132,017	(1,132,017)
Benefit payments, including refunds	(726,204)	(726,204)	-
Administrative expenses	-	(7,501)	7,501
Other changes	-	229	(229)
Net changes	<u>\$ 1,629,801</u>	<u>\$ 992,980</u>	<u>\$ 636,821</u>
Balances at June 30, 2024	<u>\$ 14,737,409</u>	<u>\$ 12,674,221</u>	<u>\$ 2,063,188</u>

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

NOTE 8—PENSION PLAN: (CONTINUED)

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

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Town's Net Pension Liability	\$ 4,015,920	\$ 2,063,188	\$ 473,949

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

For the year ended June 30, 2025, the Town recognized pension expense of \$493,147. At June 30, 2025, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 537,164	\$ -
Net difference between projected and actual earnings on pension plan investments	-	316,702
Employer contributions subsequent to the measurement date	517,654	-
Total	\$ 1,054,818	\$ 316,702

\$517,654 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	
2026	\$ 272,144
2027	83,514
2028	(65,551)
2029	(69,645)
2030	-
Thereafter	-

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

NOTE 8—PENSION PLAN: (CONTINUED)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2024 Annual Comprehensive Financial Report (Annual Report). A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/pdf/publications/2024-annual-report.pdf> or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

NOTE 9—UNEARNED AND DEFERRED/UNAVAILABLE REVENUE:

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

Unearned revenue – Unearned revenue consists of American Rescue Plan Act funds which have been received but are not considered earned because they have not yet been used for qualifying expenditures. At June 30, 2025, unearned revenue totaled \$1,969,636.

Unavailable property tax revenue – Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$70,302 at June 30, 2025.

Prepaid property taxes – Property taxes due subsequent to June 30, 2025 but paid in advance by the taxpayers totaled \$11,659 at June 30, 2025.

Leases – Lease revenue for a lease which is in effect, but which is unavailable because the time criteria has not yet been met, totaled \$233,296 at June 30, 2025.

NOTE 10—INTERFUND LOANS AND TRANSFERS:

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

During the fiscal year ended June 30, 2023, the General Fund provided cash to the Water and Sewer Funds with the intention that those funds use the money for projects covered by the American Rescue Plan. As the funds are spent, the Water Fund and Sewer Fund will recognize grant revenue, and the amount due to the General Fund will decrease. As a result of these transactions, at June 30, 2025, the Water Fund owed the General Fund \$1,207,148 and the General Fund owed the Sewer Fund \$53,132.

During the fiscal year ended June 30, 2025 the General fund transferred \$551,116 to the Water and Sewer Funds for future use in projects.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

NOTE 11—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 Risk Sharing 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 12—OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Health Insurance – Pay-As-You-Go:

Plan Description

In addition to the pension benefits described in Note 8, the Town administers a single-employer defined benefit healthcare plan. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the Town's pension plans. The plan does not issue a publicly available financial report.

Benefits Provided

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

Plan Membership

At June 30, 2025 (the valuation date) the following employees were covered by the benefit terms:

Total active employees with coverage	<u>43</u>
Total	<u><u>43</u></u>

Contributions

The Town does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the Town. The amount paid by the Town for OPEB as the benefits came due during the year ended June 30, 2025 was \$0.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

NOTE 12—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

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

Total OPEB Liability

The Town’s total OPEB liability was measured as of June 30, 2025. The total OPEB liability was determined by an actuarial valuation as of June 30, 2025.

Actuarial Assumptions

The total OPEB liability in the June 30, 2025 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50% per year as of June 30, 2024
Salary Increases	The salary increase rate starts at 2.85% salary increase (2.25% for law enforcement) for one year of service and gradually declines to 1.10% salary increase for twenty or more years of service.
Discount Rate	4.81% as of June 30, 2025

Mortality rates were based on the PUB-2010 headcounts with generational mortality improvements using scale MP-2021.

The date of the most recent actuarial experience study on which significant assumptions were based is August 28, 2024.

Discount Rate

The discount rate used to determine the liabilities under GASB 75 is based on an index rate for 20-year tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. This rate was 4.81% as of June 30, 2025.

Changes in Total OPEB Liability

	<u>Total OPEB Liability</u>
Balances at June 30, 2024	\$ 197,750
Changes for the year:	
Service cost	\$ 10,651
Interest	8,265
Difference between expected and actual experience	(407)
Changes in assumptions	(15,695)
Net changes	\$ 2,814
Balances at June 30, 2025	\$ 200,564

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

NOTE 12—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

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

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

The following amounts present the total OPEB liability of the Town, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.81%) or one percentage point higher (5.81%) than the current discount rate:

Rate		
1% Decrease (3.81%)	Current Discount Rate (4.81%)	1% Increase (5.81%)
\$ 219,391	\$ 200,564	\$ 183,458

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

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

Rates		
1% Decrease (3.04%)	Current Trend Rate (4.04%)	1% Increase (5.04%)
\$ 177,794	\$ 200,564	\$ 227,162

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

For the year ended June 30, 2025, the Town recognized OPEB expense in the amount of \$5,590. At June 30, 2025, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,008	\$ 31,217
Changes in assumptions	8,471	19,803
Total	<u>\$ 10,479</u>	<u>\$ 51,020</u>

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

NOTE 12—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

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

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

Year Ended June 30	
2026	\$ (11,988)
2027	(14,270)
2028	(6,088)
2029	(5,513)
2030	(2,682)
Thereafter	-

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

Group Life Insurance (GLI) Plan

Plan Description

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

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

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

Eligible Employees

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

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

NOTE 12—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Group Life Insurance (GLI) Plan: (Continued)

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, seatbelt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$9,532 as of June 30, 2025.

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.18% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.71% (1.18% x 60%) and the employer component was 0.47% (1.18% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2025, was 0.47% of covered employee compensation. This rate was the final approved General Assembly rate, which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Plan from the entity were \$13,910 and \$14,627 for the years ended June 30, 2025 and June 30, 2024, respectively.

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

At June 30, 2025, the entity reported a liability of \$117,730 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2024 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2023, and rolled forward to the measurement date of June 30, 2024. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2024, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2024, the participating employer's proportion was 0.01055% as compared to 0.01091% at June 30, 2023.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

NOTE 12—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Group Life Insurance (GLI) Plan: (Continued)

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

For the year ended June 30, 2025, the participating employer recognized GLI OPEB expense of \$(755). Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2025, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 18,569	\$ 2,876
Net difference between projected and actual earnings on GLI OPEB plan investments	-	9,923
Change in assumptions	671	5,834
Changes in proportionate share	2,650	11,764
Employer contributions subsequent to the measurement date	<u>13,910</u>	<u>-</u>
Total	<u>\$ 35,800</u>	<u>\$ 30,397</u>

\$13,910 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer’s contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30

2026	\$ (8,131)
2027	590
2028	(2,278)
2029	135
2030	1,177
Thereafter	-

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

NOTE 12—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Group Life Insurance (GLI) Plan: (Continued)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2023, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024. The assumptions include several employer groups. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

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

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

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

NOTE 12—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Group Life Insurance (GLI) Plan: (Continued)

Actuarial Assumptions: (Continued)

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

The actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

NOTE 12—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Group Life Insurance (GLI) Plan: (Continued)

Actuarial Assumptions: (Continued)

The actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the plan’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2024, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

		GLI OPEB Plan
Total GLI OPEB Liability	\$	4,196,055
Plan Fiduciary Net Position		3,080,133
Employers' Net GLI OPEB Liability (Asset)	\$	<u>1,115,922</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		73.41%

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

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

NOTE 12—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Group Life Insurance (GLI) Plan: (Continued)

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return*</u>
Public Equity	32.00%	6.70%	2.14%
Fixed Income	16.00%	5.40%	0.86%
Credit Strategies	16.00%	8.10%	1.30%
Real Assets	15.00%	7.20%	1.08%
Private Equity	15.00%	8.70%	1.31%
PIP - Private Investment Partnerships	1.00%	8.00%	0.08%
Diversifying Strategies	6.00%	5.80%	0.35%
Cash	2.00%	3.00%	0.06%
Leverage	-3.00%	3.50%	-0.11%
Total	<u>100.00%</u>		<u>7.07%</u>
		Expected arithmetic nominal return**	<u>7.07%</u>

*The above allocation provides a one-year expected return of 7.07% (includes 2.50% inflation assumption). However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.10%, including expected inflation of 2.50%.

** On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

NOTE 12—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Group Life Insurance (GLI) Plan: (Continued)

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2024, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 113% of the actuarially determined contribution rate. From July 1, 2024 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB’s fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

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

	Rate		
	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
	<u>(5.75%)</u>	<u>(6.75%)</u>	<u>(7.75%)</u>
Town's proportionate share of the GLI Plan Net OPEB Liability	\$ 183,085	\$ 117,730	\$ 64,931

GLI Program Fiduciary Net Position

Detailed information about the GLI Plan’s Fiduciary Net Position is available in the separately issued VRS 2024 Annual Comprehensive Financial Report (Annual Report). A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/pdf/publications/2024-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

NOTE 12—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Line of Duty Act (LODA) Program:

Plan Description

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

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

Eligible Employees

All paid employees and volunteers in hazardous duty positions in Virginia localities as well as hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS) are automatically covered by the LODA Program. As required by statute, the Virginia Retirement System (the System) is responsible for managing the assets of the program.

Benefit Amounts

The LODA program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows: \$100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after; \$25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date (the benefit will be \$75,000 for approved presumptive deaths occurring on or after January 1, 2025); or an additional \$20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001.

The LODA program also provides health insurance benefits. The health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health Benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors and family members.

Contributions

The contribution requirements for the LODA Program are governed by §9.1-400.1 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the LODA Program for the year ended June 30, 2025 was \$1,015 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the LODA Program from the entity were \$14,210 and \$12,450 for the years ended June 30, 2025 and June 30, 2024, respectively.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

NOTE 12—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

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

Contribution (Continued)

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

At June 30, 2025, the entity reported a liability of \$325,037 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2024 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of June 30, 2023, and rolled forward to the measurement date of June 30, 2024. The entity's proportion of the Net LODA OPEB Liability was based on the entity's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2024 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2024, the entity's proportion was 0.08259% as compared to 0.07450% at June 30, 2023.

For the year ended June 30, 2025, the entity recognized LODA OPEB expense of \$41,836. Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2025, the entity reported deferred outflows of resources and deferred inflows of resources related to the LODA OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 11,309	\$ 79,397
Net difference between projected and actual earnings on LODA OPEB program investments	-	1,074
Change in assumptions	59,917	65,464
Changes in proportionate share	37,728	32,829
Employer contributions subsequent to the measurement date	<u>14,210</u>	<u>-</u>
Total	<u>\$ 123,164</u>	<u>\$ 178,764</u>

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

NOTE 12—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

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

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

\$14,210 reported as deferred outflows of resources related to the LODA OPEB resulting from the entity’s contributions subsequent to the measurement date will be recognized as a reduction of the Net LODA OPEB Liability in the fiscal year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>		
2026	\$	(4,604)
2027		(5,161)
2028		(6,761)
2029		(10,316)
2030		(12,603)
Thereafter		(30,365)

Actuarial Assumptions

The total LODA OPEB liability was based on an actuarial valuation as of June 30, 2023, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024. The assumptions include several employer groups. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

Inflation	2.50%
Salary increases, including inflation:	
Locality employees	N/A
Medical cost trend rates assumption:	
Under age 65	7.25%-4.25%
Ages 65 and older	6.50%-4.25%
Year of ultimate trend rate	
Under age 65	Fiscal year ended 2034
Ages 65 and older	Fiscal year ended 2034
Investment rate of return	3.97%, including inflation*

* Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.97% was used since it approximates the risk-free rate of return.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

NOTE 12—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

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

Actuarial Assumptions: (Continued)

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

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

NOTE 12—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

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

Net LODA OPEB Liability

The net OPEB liability (NOL) for the LODA Program represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2024, NOL amounts for the LODA Program are as follows (amounts expressed in thousands):

	<u>LODA Program</u>
Total LODA OPEB Liability	\$ 398,395
Plan Fiduciary Net Position	4,841
Employers' Net OPEB Liability	<u>\$ 393,554</u>
 Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	 1.22%

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

Long-Term Expected Rate of Return

The long-term expected rate of return on LODA OPEB Program’s investments was set at 3.97% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments’ 6.75% assumption. Instead, the assumed annual rate of return of 3.97% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Fidelity Fixed Income General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2024.

Discount Rate

The discount rate used to measure the total LODA OPEB liability was 3.97%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2024, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

NOTE 12—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

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

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

The following presents the covered employer’s proportionate share of the net LODA OPEB liability using the discount rate of 3.97%, as well as what the covered employer’s proportionate share of the net LODA OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.97%) or one percentage point higher (4.97%) than the current rate:

	Discount Rate		
	1% Decrease (2.97%)	Current (3.97%)	1% Increase (4.97%)
Town's proportionate share of the LODA net OPEB liability	\$ 360,329	\$ 325,037	\$ 294,690

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

Because the LODA Program contains a provision for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the covered employer’s proportionate share of the net LODA OPEB liability using the health care trend rate of 7.25% decreasing to 4.25%, as well as what the covered employer’s proportionate share of the net LODA OPEB liability would be if it were calculated using a health care trend rate that is one percentage point lower (6.25% decreasing to 3.25%) or one percentage point higher (8.25% decreasing to 5.25%) than the current rate:

	Health Care Trend Rates		
	1% Decrease (6.25% decreasing to 3.25%)	Current (7.25% decreasing to 4.25%)	1% Increase (8.25% decreasing to 5.25%)
Town's proportionate share of the LODA net OPEB liability	\$ 276,888	\$ 325,037	\$ 384,116

LODA OPEB Fiduciary Net Position

Detailed information about the LODA Program Fiduciary Net Position is available in the separately issued VRS 2024 Annual Comprehensive Financial Report (Annual Report). A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2024-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

NOTE 12—OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

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

	<u>Net OPEB Liabilities</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>OPEB Expense</u>
VRS OPEB Plans:				
Group Life Insurance Plan	\$ 117,730	\$ 35,800	\$ 30,397	\$ (755)
Line of Duty Act Plan	325,037	123,164	178,764	41,836
Health Insurance - Pay-As-You-Go	<u>200,564</u>	<u>10,479</u>	<u>51,020</u>	<u>5,590</u>
Totals	<u>\$ 643,331</u>	<u>\$ 169,443</u>	<u>\$ 260,181</u>	<u>\$ 46,671</u>

NOTE 13—LITIGATION:

At June 30, 2025, there were no matters of litigation involving the Town that would materially affect the Town's financial position should any court decisions on pending matters not be favorable to the Town.

NOTE 14—ARPA FUNDING:

On March 11, 2021, the American Rescue Plan (ARPA) Act of 2021 was passed by the federal government. A primary component of the ARPA was the establishment of the Coronavirus State and Local Fiscal Recovery Fund (CSLFRF). Local governments were to receive funds in two tranches, with 50% provided beginning in May 2021 and the balance delivered approximately 12 months later.

On June 25, 2021, the Town received its share of the first half of the CSLFRF funds. The Town received a second tranche in the amount of \$2,643,592 on July 22, 2022. As a condition of receiving CSLFRF funds, any funds unobligated by December 31, 2024, and unexpended by December 31, 2026, will be returned to the federal government. Unspent funds in the amount of \$1,969,636 from the initial allocation are reported as unearned revenue as of June 30, 2025.

NOTE 15—LEASE RECEIVABLE:

Lease receivables outstanding as of June 30, 2025 are as follows:

<u>Lease Description</u>	<u>End Date</u>	<u>Remaining Term (in months)</u>	<u>Payment Frequency</u>	<u>Discount Rate</u>	<u>Receivable Balance</u>
Tower Space	12/1/2037	150	Monthly	2.50%	\$ <u>320,411</u>
Total Receivable					\$ <u><u>320,411</u></u>

TOWN OF ORANGE, VIRGINIA

Notes to Financial Statements
As of June 30, 2025 (Continued)

NOTE 15—LEASE RECEIVABLE: (CONTINUED)

Annual recognition of lease revenue and related interest are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	\$ 14,652	\$ 16,494	\$ 31,146
2027	15,406	15,740	31,146
2028	16,199	14,947	31,146
2029	20,148	14,112	34,260
2030	21,185	13,075	34,260
2031-2035	130,476	47,676	178,152
2036-2038	102,345	10,711	113,056
Total	<u>\$ 320,411</u>	<u>\$ 132,755</u>	<u>\$ 453,166</u>

NOTE 16—RESTATEMENT OF PRIOR YEAR FUND BALANCE & NET POSITION:

As of July 1, 2024, the following restatement has been made to correct beginning net position. This correction is attributed to a receivable for grant revenue that should have been recorded in the prior year.

	General Fund	Governmental Activities	Business-Type Activities
Fund balance/net position at June 30, 2024, as reported	\$ 4,857,352	\$ 9,966,848	\$ 17,385,508
Correction of accounts receivable	70,000	70,000	-
Restatement for implementation of GASB Statement No. 101	-	(291,820)	(107,933)
Fund balance/net position at June 30, 2024, as restated	<u>\$ 4,927,352</u>	<u>\$ 9,745,028</u>	<u>\$ 17,277,575</u>

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.

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

General Fund

For the Year Ended June 30, 2025

	General Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
General property taxes	\$ 883,000	\$ 883,000	\$ 886,880	\$ 3,880
Other local taxes/revenues	2,737,800	2,737,800	3,088,579	350,779
Permits, fees, and regulatory licenses	2,600	2,600	6,394	3,794
Fines and forfeitures	90,000	90,000	106,475	16,475
Revenues from use of money and property	156,200	156,200	223,387	67,187
Charges for services	178,776	178,776	184,694	5,918
Miscellaneous	13,200	13,200	59,555	46,355
Recovered costs	20,000	20,000	18,367	(1,633)
Revenue from internal sources	443,412	443,412	443,414	2
Intergovernmental revenues:				
Commonwealth	1,665,372	2,281,372	1,960,448	(320,924)
Federal	-	-	25,948	25,948
Total revenues	\$ 6,190,360	\$ 6,806,360	\$ 7,004,141	\$ 197,781
EXPENDITURES				
Current:				
General government administration	\$ 1,084,857	\$ 1,024,857	\$ 1,024,679	\$ 178
Public safety	1,954,264	1,954,264	2,059,735	(105,471)
Public works	2,009,567	2,189,798	2,410,108	(220,310)
Parks, recreation, and cultural	29,700	29,700	26,777	2,923
Community development	200,016	263,016	240,223	22,793
Nondepartmental	254,538	254,538	333,893	(79,355)
Capital projects	525,000	1,813,000	515,240	1,297,760
Debt service:				
Principal	150,400	150,400	155,100	(4,700)
Interest and finance charges	6,289	6,289	1,590	4,699
Retirement of lease (principal & interest)	-	-	51,991	(51,991)
Total expenditures	\$ 6,214,631	\$ 7,685,862	\$ 6,819,336	\$ 866,526
Excess (deficiency) of revenues over (under) expenditures	\$ (24,271)	\$ (879,502)	\$ 184,805	\$ 1,064,307
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ 1,197,000	\$ (9,887)	\$ (1,206,887)
Transfers in	-	(2,044,992)	561,003	2,605,995
Issuance of capital leases	-	-	46,122	46,122
Total other financing sources (uses)	\$ -	\$ (847,992)	\$ 597,238	\$ 1,445,230
Net change in fund balances	\$ (24,271)	\$ (1,727,494)	\$ 782,043	\$ 2,509,537
Fund Balance at Beginning of Year, as previously reported	24,271	1,727,494	4,857,352	3,129,858
Restatement	-	-	70,000	70,000
Fund Balance at Beginning of Year, as restated	\$ 24,271	\$ 1,727,494	\$ 4,927,352	\$ 3,199,858
Fund Balance at End of Year	\$ -	\$ -	\$ 5,709,395	\$ 5,709,395

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
For the Measurement Dates of June 30, 2015 through June 30, 2024

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Total pension liability					
Service cost	\$ 373,810	\$ 337,627	\$ 312,766	\$ 332,700	\$ 312,007
Interest	885,486	871,736	824,401	742,321	686,112
Changes in benefit terms	-	-	-	-	-
Differences between expected and actual experience	1,096,709	(461,392)	(34,433)	(250,083)	194,596
Assumption changes	-	-	-	466,795	-
Benefit payments	(726,204)	(434,683)	(417,982)	(359,036)	(360,922)
Net change in total pension liability	<u>\$ 1,629,801</u>	<u>\$ 313,288</u>	<u>\$ 684,752</u>	<u>\$ 932,697</u>	<u>\$ 831,793</u>
Total pension liability - beginning	<u>13,107,608</u>	<u>12,794,320</u>	<u>12,109,568</u>	<u>11,176,871</u>	<u>10,345,078</u>
Total pension liability - ending (a)	<u><u>\$ 14,737,409</u></u>	<u><u>\$ 13,107,608</u></u>	<u><u>\$ 12,794,320</u></u>	<u><u>\$ 12,109,568</u></u>	<u><u>\$ 11,176,871</u></u>
Plan fiduciary net position					
Contributions - employer	\$ 464,048	\$ 444,350	\$ 400,476	\$ 399,012	\$ 307,660
Contributions - employee	130,391	124,774	117,667	118,164	127,953
Net investment income	1,132,017	715,411	(15,874)	2,308,021	155,285
Benefit payments	(726,204)	(434,683)	(417,982)	(359,036)	(360,922)
Administrator charges	(7,501)	(6,820)	(6,596)	(5,430)	(5,090)
Other	229	289	255	221	(187)
Net change in plan fiduciary net position	<u>\$ 992,980</u>	<u>\$ 843,321</u>	<u>\$ 77,946</u>	<u>\$ 2,460,952</u>	<u>\$ 224,699</u>
Plan fiduciary net position - beginning	<u>11,681,241</u>	<u>10,837,920</u>	<u>10,759,974</u>	<u>8,299,022</u>	<u>8,074,323</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 12,674,221</u></u>	<u><u>\$ 11,681,241</u></u>	<u><u>\$ 10,837,920</u></u>	<u><u>\$ 10,759,974</u></u>	<u><u>\$ 8,299,022</u></u>
Town's net pension liability - ending (a) - (b)	\$ 2,063,188	\$ 1,426,367	\$ 1,956,400	\$ 1,349,594	\$ 2,877,849
Plan fiduciary net position as a percentage of the total pension liability	86.00%	89.12%	84.71%	88.86%	74.25%
Covered payroll	\$ 2,705,358	\$ 2,568,844	\$ 2,417,119	\$ 2,419,701	\$ 2,301,901
Town's net pension liability as a percentage of covered payroll	76.26%	55.53%	80.94%	55.78%	125.02%

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
For the Measurement Dates of June 30, 2015 through June 30, 2024

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability					
Service cost	\$ 299,300	\$ 281,679	\$ 281,532	\$ 323,066	\$ 319,585
Interest	637,545	599,024	562,059	524,852	458,693
Changes in benefit terms	-	-	-	-	416,043
Differences between expected and actual experience	151,296	38,568	187,833	46,647	91,586
Assumption changes	329,802	-	(149,862)	-	-
Benefit payments	(361,313)	(376,607)	(330,387)	(395,687)	(285,864)
Net change in total pension liability	<u>\$ 1,056,630</u>	<u>\$ 542,664</u>	<u>\$ 551,175</u>	<u>\$ 498,878</u>	<u>\$ 1,000,043</u>
Total pension liability - beginning	<u>9,288,448</u>	<u>8,745,784</u>	<u>8,194,609</u>	<u>7,695,731</u>	<u>6,695,688</u>
Total pension liability - ending (a)	<u><u>\$ 10,345,078</u></u>	<u><u>\$ 9,288,448</u></u>	<u><u>\$ 8,745,784</u></u>	<u><u>\$ 8,194,609</u></u>	<u><u>\$ 7,695,731</u></u>
Plan fiduciary net position					
Contributions - employer	\$ 308,187	\$ 301,386	\$ 284,672	\$ 256,860	\$ 275,028
Contributions - employee	112,670	113,708	109,433	110,576	118,347
Net investment income	509,593	516,602	756,868	105,976	265,333
Benefit payments	(361,313)	(376,607)	(330,387)	(395,687)	(285,864)
Administrator charges	(4,811)	(4,336)	(4,217)	(3,714)	(3,462)
Other	(321)	(467)	(680)	(45)	(56)
Net change in plan fiduciary net position	<u>\$ 564,005</u>	<u>\$ 550,286</u>	<u>\$ 815,689</u>	<u>\$ 73,966</u>	<u>\$ 369,326</u>
Plan fiduciary net position - beginning	<u>7,510,318</u>	<u>6,960,032</u>	<u>6,144,343</u>	<u>6,070,377</u>	<u>5,701,051</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 8,074,323</u></u>	<u><u>\$ 7,510,318</u></u>	<u><u>\$ 6,960,032</u></u>	<u><u>\$ 6,144,343</u></u>	<u><u>\$ 6,070,377</u></u>
Town's net pension liability - ending (a) - (b)	\$ 2,270,755	\$ 1,778,130	\$ 1,785,752	\$ 2,050,266	\$ 1,625,354
Plan fiduciary net position as a percentage of the total pension liability	78.05%	80.86%	79.58%	74.98%	78.88%
Covered payroll	\$ 2,293,927	\$ 2,314,522	\$ 2,180,643	\$ 2,205,029	\$ 2,344,581
Town's net pension liability as a percentage of covered payroll	98.99%	76.82%	81.89%	92.98%	69.32%

Schedule of Employer Contributions - Pension
 For the Years Ended June 30, 2016 through June 30, 2025

<u>Date</u>	<u>Contractually Required Contribution*</u>	<u>Contributions in Relation to Contractually Required Contribution*</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Payroll</u>	<u>Contributions as a % of Covered Payroll</u>
2025	\$ 517,654	\$ 517,654	\$ -	\$ 2,952,959	17.53%
2024	464,082	464,082	-	2,705,358	17.15%
2023	444,663	444,663	-	2,568,844	17.31%
2022	401,574	401,574	-	2,417,119	16.61%
2021	399,375	399,375	-	2,419,701	16.51%
2020	308,344	308,344	-	2,301,901	13.40%
2019	310,630	310,630	-	2,293,927	13.54%
2018	301,386	301,386	-	2,314,522	13.02%
2017	289,371	289,371	-	2,180,643	13.27%
2016	259,091	259,091	-	2,205,029	11.75%

*Excludes contributions (mandatory and match on voluntary) to the defined contribution portion of the Hybrid plan.

Notes to Required Supplementary Information - Pension
 For the Year Ended June 30, 2025

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Schedule of Changes in Total OPEB Liability - Health Insurance
 For the Years Ended June 30, 2018 through June 30, 2025

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability								
Service cost	\$ 10,651	\$ 11,545	\$ 11,372	\$ 17,642	\$ 15,723	\$ 11,874	\$ 10,627	\$ 8,877
Interest	8,265	7,510	6,670	4,119	4,574	5,017	4,982	5,366
Differences between expected and actual experience	(407)	(24,840)	(625)	(41,538)	(549)	14,074	-	-
Changes in assumptions	<u>(15,695)</u>	<u>7,850</u>	<u>(2,796)</u>	<u>(14,137)</u>	<u>8,257</u>	<u>(4,279)</u>	<u>7,047</u>	<u>(10,766)</u>
Net change in total OPEB liability	\$ 2,814	\$ 2,065	\$ 14,621	\$ (33,914)	\$ 28,005	\$ 26,686	\$ 22,656	\$ 3,477
Total OPEB liability - beginning	<u>197,750</u>	<u>195,685</u>	<u>181,064</u>	<u>214,978</u>	<u>186,973</u>	<u>160,287</u>	<u>137,631</u>	<u>134,154</u>
Total OPEB liability - ending	<u>\$ 200,564</u>	<u>\$ 197,750</u>	<u>\$ 195,685</u>	<u>\$ 181,064</u>	<u>\$ 214,978</u>	<u>\$ 186,973</u>	<u>\$ 160,287</u>	<u>\$ 137,631</u>

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

Notes to Required Supplementary Information - OPEB - Health Insurance
 For the Year Ended June 30, 2025

Valuation Date: June 30, 2025
 Measurement Date: June 30, 2025

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

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry Age Normal, Level Percentage of Pay.
Discount Rate	4.81% as of June 30, 2025.
Inflation	2.50% per year as of June 30, 2024.
Healthcare Trend Rates	The healthcare trend rate assumptions vary by year and range between 3.94% and 6.00%.
Salary Increase Rates	The salary increase rate starts at 2.85% salary increase (2.25% for law enforcement) for one year of service and gradually declines to 1.10% salary increase for twenty or more years of service.
Mortality Rates	The mortality rates were calculated using the Pub-2010 headcounts with generational mortality improvements using scale MP-2021.

Schedule of Town's Share of Net OPEB Liability - Group Life Insurance
 For the Measurement Dates of June 30, 2017 through June 30, 2024

Date	Employer's Proportion of the Net GLI OPEB Liability	Employer's Proportionate Share of the Net GLI OPEB Liability (a)	Employer's Covered Payroll (b)	Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of Covered Payroll (a)/(b)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability
2024	0.01055% \$	117,730 \$	2,708,690	4.35%	73.41%
2023	0.01091%	130,846	2,568,844	5.09%	69.30%
2022	0.01110%	133,775	2,417,119	5.53%	67.21%
2021	0.01172%	136,453	2,419,701	5.64%	67.45%
2020	0.01118%	186,576	2,301,948	8.11%	52.64%
2019	0.01170%	190,390	2,293,927	8.30%	52.00%
2018	0.01223%	186,000	2,324,991	8.00%	51.22%
2017	0.01195%	180,000	2,203,103	8.17%	48.86%

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

Schedule of Employer Contributions - Group Life Insurance
 For the Years Ended June 30, 2016 through June 30, 2025

<u>Date</u>	<u>Contractually Required Contribution</u>	<u>Actual Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Payroll</u>	<u>Contributions as a % of Covered Payroll</u>
2025	\$ 13,910	\$ 13,910	\$ -	\$ 2,959,533	0.47%
2024	14,627	14,627	-	2,708,690	0.54%
2023	13,872	13,872	-	2,568,844	0.54%
2022	13,052	13,052	-	2,417,119	0.54%
2021	13,066	13,066	-	2,419,701	0.54%
2020	11,970	11,970	-	2,301,948	0.52%
2019	11,928	11,928	-	2,293,927	0.52%
2018	12,090	12,090	-	2,324,991	0.52%
2017	11,456	11,456	-	2,203,103	0.52%
2016	10,584	10,584	-	2,205,029	0.48%

Notes to Required Supplementary Information - Group Life Insurance
 For the Year Ended June 30, 2025

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Schedule of Town's Share of Net OPEB Liability - LODA
 For the Measurement Dates of June 30, 2017 through June 30, 2024

Date	Town's Proportion of the Net LODA OPEB Liability	Town's Proportionate Share of the Net LODA OPEB Liability	Covered - Employee Payroll*	Employer's Proportionate Share of the Net LODA OPEB Liability as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of Total LODA OPEB Liability
2024	0.08259%	\$ 325,037	N/A	N/A	1.22%
2023	0.07450%	298,670	N/A	N/A	1.31%
2022	0.08130%	307,760	N/A	N/A	1.87%
2021	0.08080%	356,144	N/A	N/A	1.68%
2020	0.08309%	347,993	N/A	N/A	1.02%
2019	0.08677%	311,319	N/A	N/A	0.79%
2018	0.08524%	267,000	N/A	N/A	0.60%
2017	0.08417%	221,000	N/A	N/A	1.30%

*The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll, which is the total payroll of the employees in the OPEB plan, is not applicable.

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

Schedule of Employer Contributions - LODA

For the Measurement Dates of June 30, 2018 through June 30, 2025

<u>Date</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered- Employee Payroll *</u>	<u>Contributions as a % of Covered - Employee Payroll</u>
2025	\$ 14,210	\$ 14,210	\$ -	N/A	N/A
2024	12,450	12,450	-	N/A	N/A
2023	9,887	9,887	-	N/A	N/A
2022	11,200	11,200	-	N/A	N/A
2021	11,118	11,118	-	N/A	N/A
2020	11,292	11,292	-	N/A	N/A
2019	11,645	11,645	-	N/A	N/A
2018	9,078	9,078	-	N/A	N/A

*The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll, which is the total payroll of employees in the OPEB plan, is not applicable.

This schedule is intended to show information for 10 years. However, information prior to the 2018 valuation is not available. Additional years will be included as they become available.

Notes to Required Supplementary Information - LODA
 For the Year Ended June 30, 2025

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2023 valuation were based on results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change

Other Supplementary Information

Discretely Presented Component Unit-Industrial Development Authority

Statement of Net Position - Proprietary Fund
 Discretely Presented Component Unit - Industrial Development Authority
 As of June 30, 2025

	<u>Proprietary Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 227,825
Due from primary government	<u>75,000</u>
Total current assets	<u>\$ 302,825</u>
Total assets	<u><u>\$ 302,825</u></u>
NET POSITION	
Unrestricted	<u>\$ 302,825</u>
Total net position	<u><u>\$ 302,825</u></u>

Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund
 Discretely Presented Component Unit - Industrial Development Authority
 For the Year Ended June 30, 2025

	<u>Proprietary Fund</u>
OPERATING EXPENSES	
Materials and supplies	\$ 143
Local business support	<u>2,000</u>
Total operating expenses	\$ <u>2,143</u>
Operating income (loss)	\$ <u>(2,143)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest earned	\$ 2,438
Contribution from primary government	<u>75,000</u>
Total nonoperating revenues (expenses)	\$ <u>77,438</u>
Change in net position	\$ 75,295
Net position - beginning	<u>227,530</u>
Net position - ending	<u><u>\$ 302,825</u></u>

Statement of Cash Flows - Proprietary Fund
 Discretely Presented Component Unit - Industrial Development Authority
 For the Year Ended June 30, 2025

	<u>Proprietary Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Payments to suppliers	\$ (143)
Payments for local business support	<u>(2,000)</u>
Net cash provided by (used for) operating activities	\$ <u>(2,143)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Contribution from primary government	\$ <u>75,000</u>
Net cash provided by (used for) noncapital financing activities	\$ <u>75,000</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	\$ <u>2,438</u>
Net cash provided by (used for) investing activities	\$ <u>2,438</u>
Net increase (decrease) in cash and cash equivalents	\$ 75,295
Cash and cash equivalents - beginning	<u>152,530</u>
Cash and cash equivalents - ending	\$ <u><u>227,825</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ <u>(2,143)</u>
Net cash provided by (used for) operating activities	\$ <u><u>(2,143)</u></u>

Supporting Schedules

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2025

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	\$ 640,000	\$ 640,000	\$ 651,920	\$ 11,920
Personal property taxes	215,000	215,000	212,574	(2,426)
Public service corporation taxes	28,000	28,000	22,386	(5,614)
Total general property taxes	<u>\$ 883,000</u>	<u>\$ 883,000</u>	<u>\$ 886,880</u>	<u>\$ 3,880</u>
Other local taxes/revenues:				
Local sales and use taxes	\$ 370,000	\$ 370,000	\$ 446,925	\$ 76,925
Consumers' utility taxes	231,600	231,600	222,720	(8,880)
Electric consumption taxes	15,000	15,000	14,668	(332)
Motor vehicle licenses	95,000	95,000	99,110	4,110
Bank franchise taxes	150,000	150,000	177,981	27,981
Restaurant food taxes	1,650,000	1,650,000	1,928,651	278,651
Business licenses	200	200	1,767	1,567
Transient/occupancy taxes	160,000	160,000	140,707	(19,293)
Cigarette taxes	66,000	66,000	56,050	(9,950)
Total other local taxes/revenues	<u>\$ 2,737,800</u>	<u>\$ 2,737,800</u>	<u>\$ 3,088,579</u>	<u>\$ 350,779</u>
Permits, fees, and regulatory licenses:				
Planning and development fees	\$ 2,500	\$ 2,500	\$ 6,044	\$ 3,544
Construction permits/fees	100	100	350	250
Total permits, fees, and regulatory licenses	<u>\$ 2,600</u>	<u>\$ 2,600</u>	<u>\$ 6,394</u>	<u>\$ 3,794</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 90,000	\$ 90,000	\$ 106,475	\$ 16,475
Revenue from use of money and property:				
Revenue from use of money	\$ 150,000	150,000	\$ 208,251	\$ 58,251
Revenue from use of property	6,200	6,200	15,136	8,936
Total revenue from use of money and property	<u>\$ 156,200</u>	<u>\$ 156,200</u>	<u>\$ 223,387</u>	<u>\$ 67,187</u>
Charges for services:				
Refuse collection	\$ 156,000	\$ 156,000	\$ 162,191	\$ 6,191
Transit fees	22,776	22,776	22,503	(273)
Total charges for services	<u>\$ 178,776</u>	<u>\$ 178,776</u>	<u>\$ 184,694</u>	<u>\$ 5,918</u>

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2025 (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:				
Administrative fees	\$ 2,000	\$ 2,000	\$ 2,097	\$ 97
Proceeds from the sale of surplus property	-	-	19,917	19,917
Proceeds from the sale of recycled material	-	-	4,312	4,312
Revenue refunds	10,000	10,000	31,356	21,356
Miscellaneous	1,200	1,200	1,873	673
Total miscellaneous	<u>\$ 13,200</u>	<u>\$ 13,200</u>	<u>\$ 59,555</u>	<u>\$ 46,355</u>
Recovered costs:				
Expenditure refunds	\$ 20,000	\$ 20,000	\$ 18,367	\$ (1,633)
Revenue from internal sources:				
Internal charges	\$ 443,412	\$ 443,412	\$ 443,414	\$ 2
Total revenue from local sources	<u>\$ 4,524,988</u>	<u>\$ 4,524,988</u>	<u>\$ 5,017,745</u>	<u>\$ 492,757</u>
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	\$ 6,600	\$ 6,600	\$ 8,117	\$ 1,517
Motor vehicle carriers' tax	30,000	30,000	50,447	20,447
Communications tax	120,000	120,000	114,637	(5,363)
Personal property tax relief funds	89,615	89,615	89,615	-
Total noncategorical aid	<u>\$ 246,215</u>	<u>\$ 246,215</u>	<u>\$ 262,816</u>	<u>\$ 16,601</u>
Categorical aid:				
State Highway Funds	\$ 1,261,800	\$ 1,261,800	\$ 1,309,320	\$ 47,520
VDOT Revenue Sharing	-	616,000	210,996	(405,004)
Aid to localities with police departments	132,504	132,504	147,129	14,625
Fire Program Grants	19,108	19,108	25,010	5,902
Miscellaneous Grants	2,000	2,000	-	(2,000)
Litter Control Grant	3,745	3,745	5,177	1,432
Total categorical aid	<u>\$ 1,419,157</u>	<u>\$ 2,035,157</u>	<u>\$ 1,697,632</u>	<u>\$ (337,525)</u>
Total revenue from the Commonwealth	<u>\$ 1,665,372</u>	<u>\$ 2,281,372</u>	<u>\$ 1,960,448</u>	<u>\$ (320,924)</u>
Revenue from the Federal Government:				
Categorical aid:				
Highway Planning and Construction	\$ -	\$ -	\$ 19,977	\$ 19,977
Edward Byrne Memorial Justice Assistance Program	-	-	5,971	5,971
Total categorical aid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,948</u>	<u>\$ 25,948</u>
Total revenue from the federal government	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,948</u>	<u>\$ 25,948</u>
Total General Fund	<u><u>\$ 6,190,360</u></u>	<u><u>\$ 6,806,360</u></u>	<u><u>\$ 7,004,141</u></u>	<u><u>\$ 197,781</u></u>

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2025 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Special Revenue Fund:				
Taylor Park Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 430	\$ 430
Total revenue from local sources	\$ -	\$ -	\$ 430	\$ 430
Total Taylor Park Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 430</u>	<u>\$ 430</u>
Capital Projects Fund:				
Revenue from local sources:				
Miscellaneous:				
Other miscellaneous	\$ -	\$ -	\$ 42,915	\$ 42,915
Total revenue from local sources	\$ -	\$ -	\$ 42,915	\$ 42,915
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Virginia Arts Commission	\$ -	\$ -	\$ 4,500	\$ 4,500
Asset forfeiture	-	-	13,039	13,039
Total categorical aid	\$ -	\$ -	\$ 17,539	\$ 17,539
Total revenue from the Commonwealth	\$ -	\$ -	\$ 17,539	\$ 17,539
Total Capital Projects Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,454</u>	<u>\$ 60,454</u>
Total Primary Government	<u>\$ 6,190,360</u>	<u>\$ 6,806,360</u>	<u>\$ 7,065,025</u>	<u>\$ 258,665</u>

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2025

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Town Council	\$ 142,334	\$ 145,334	\$ 140,340	\$ 4,994
General and financial administration:				
Town manager	\$ 471,486	\$ 408,486	\$ 367,503	\$ 40,983
Professional services	38,500	38,500	37,049	1,451
Elections	2,500	2,500	-	2,500
Treasurer/finance	430,037	430,037	479,787	(49,750)
Total general and financial administration	\$ 942,523	\$ 879,523	\$ 884,339	\$ (4,816)
Total general government administration	\$ 1,084,857	\$ 1,024,857	\$ 1,024,679	\$ 178
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 1,894,764	\$ 1,894,764	\$ 1,994,725	\$ (99,961)
Fire and rescue services:				
Volunteer fire departments	\$ 59,500	\$ 59,500	\$ 65,010	\$ (5,510)
Total public safety	\$ 1,954,264	\$ 1,954,264	\$ 2,059,735	\$ (105,471)
Public works:				
Streets and general maintenance	\$ 1,613,810	\$ 1,794,041	\$ 1,923,783	\$ (129,742)
Refuse collection and disposal	203,676	203,676	244,189	(40,513)
Municipal building	49,145	49,145	58,179	(9,034)
Depot	16,000	16,000	57,020	(41,020)
TOOT	126,936	126,936	126,937	(1)
Total public works	\$ 2,009,567	\$ 2,189,798	\$ 2,410,108	\$ (220,310)
Parks, recreation, and cultural:				
Parks and recreation	\$ 29,700	\$ 29,700	\$ 26,777	\$ 2,923
Total parks, recreation, and cultural	\$ 29,700	\$ 29,700	\$ 26,777	\$ 2,923

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2025 (Continued)

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Community development:				
Planning and community development	\$ 200,016	\$ 200,016	\$ 148,641	\$ 51,375
Economic development manager	-	63,000	91,582	(28,582)
Total community development	<u>\$ 200,016</u>	<u>\$ 263,016</u>	<u>\$ 240,223</u>	<u>\$ 22,793</u>
Nondepartmental:				
Insurance	\$ 41,221	\$ 41,221	\$ 58,184	\$ (16,963)
Revenue refunds	-	-	18,063	(18,063)
Contractual services	128,400	128,400	185,111	(56,711)
Bank service charges	12,500	12,500	780	11,720
Miscellaneous	1,400	1,400	4,595	(3,195)
Donations	71,017	71,017	67,160	3,857
Total nondepartmental	<u>\$ 254,538</u>	<u>\$ 254,538</u>	<u>\$ 333,893</u>	<u>\$ (79,355)</u>
Capital expenditures:				
Capital outlay	<u>\$ 525,000</u>	<u>\$ 1,813,000</u>	<u>\$ 515,240</u>	<u>\$ 1,297,760</u>
Debt service:				
Principal	\$ 150,400	\$ 150,400	\$ 155,100	\$ (4,700)
Interest	6,289	6,289	1,590	4,699
Retirement of lease (principal & interest)	-	-	51,991	(51,991)
Total debt service	<u>\$ 156,689</u>	<u>\$ 156,689</u>	<u>\$ 208,681</u>	<u>\$ (51,992)</u>
Total General Fund	<u><u>\$ 6,214,631</u></u>	<u><u>\$ 7,685,862</u></u>	<u><u>\$ 6,819,336</u></u>	<u><u>\$ 866,526</u></u>
Capital Projects Fund:				
Capital projects expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,405</u>	<u>\$ (37,405)</u>
Total Capital Projects Fund	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 37,405</u></u>	<u><u>\$ (37,405)</u></u>
Total Primary Government	<u><u>\$ 6,214,631</u></u>	<u><u>\$ 7,685,862</u></u>	<u><u>\$ 6,856,741</u></u>	<u><u>\$ 829,121</u></u>

Other Statistical Information

<u>Contents</u>	<u>Tables</u>
Financial Trends These tables contain trend information to help the reader understand how the the Town's financial performance and well-being have changed over time.	1 - 6
Revenue Capacity These tables contain information to help the reader assess the factors affecting the Town's ability to generate its property and sales taxes.	7 - 9
Debt Capacity These tables present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue debt in the future.	10

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

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

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Governmental activities										
Net investment in capital assets	\$ 6,879,703	\$ 6,812,449	\$ 6,646,598	\$ 6,576,496	\$ 6,332,218	\$ 6,665,217	\$ 6,704,394	\$ 6,379,747	\$ 6,791,614	\$ 6,780,757
Restricted	110,688	108,489	108,919	72,721	73,090	73,162	73,178	73,432	73,852	74,282
Unrestricted (2) (3)	1,552,399	1,298,911	1,589,401	1,938,793	2,154,421	2,184,677	2,822,939	2,768,064	2,879,562	3,683,417
Total governmental activities net position	\$ 8,542,790	\$ 8,219,849	\$ 8,344,918	\$ 8,588,010	\$ 8,559,729	\$ 8,923,056	\$ 9,600,511	\$ 9,221,243	\$ 9,745,028	\$ 10,538,456
Business-type activities										
Net investment in capital assets	\$ 14,968,510	\$ 14,907,763	\$ 14,863,253	\$ 14,938,357	\$ 14,953,642	\$ 14,951,507	\$ 15,441,292	\$ 15,693,766	\$ 18,148,590	\$ 19,098,438
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted (deficit) (3)	75,741	-127,184	-482,137	(471,349)	(550,646)	(628,495)	(990,242)	(57,276)	(871,015)	(1,046,478)
Total business-type activities net position	\$ 15,044,251	\$ 14,780,579	\$ 14,381,116	\$ 14,467,008	\$ 14,402,996	\$ 14,323,012	\$ 14,451,050	\$ 15,636,490	\$ 17,277,575	\$ 18,051,960
Primary government										
Net investment in capital assets	\$ 21,848,213	\$ 21,720,212	\$ 21,509,851	\$ 21,514,853	\$ 21,285,860	\$ 21,616,724	\$ 22,145,686	\$ 22,073,513	\$ 24,940,204	\$ 25,879,195
Restricted	110,688	108,489	108,919	72,721	73,090	73,162	73,178	73,432	73,852	74,282
Unrestricted (3)	1,628,140	1,171,727	1,107,264	1,467,444	1,603,775	1,556,182	1,832,697	2,710,788	2,008,547	2,636,939
Total primary government net position	\$ 23,587,041	\$ 23,000,428	\$ 22,726,034	\$ 23,055,018	\$ 22,962,725	\$ 23,246,068	\$ 24,051,561	\$ 24,857,733	\$ 27,022,603	\$ 28,590,416
Component unit - Industrial Development Authority (1)										
Unrestricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,740	\$ 3,460	\$ 78,640	\$ 227,530	\$ 302,825
Total component unit net position	\$ -	\$ 20,740	\$ 3,460	\$ 78,640	\$ 227,530	\$ 302,825				

(1) The Industrial Development Authority became a component unit in 2021.

(2) Beginning balance restatement of \$70,000 related to accounts receivable correction

(3) Beginning balance restatement related to GASB Statement No. 101 implementation

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

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Expenses										
Primary government:										
Governmental activities:										
General government administration (1)	\$ 979,006	\$ 875,454	\$ 1,107,261	\$ 897,957	\$ 1,086,760	\$ 1,047,960	\$ 1,058,145	\$ 1,236,863	\$ 1,410,230	\$ 1,503,875
Public safety (1)	1,639,762	1,527,727	1,554,318	1,606,968	1,716,475	1,882,357	1,579,813	1,931,250	1,926,280	2,064,738
Public works (1)	1,979,808	2,653,300	2,743,120	2,147,876	2,261,178	2,133,392	1,772,407	2,558,074	3,012,527	2,851,030
Parks, recreation and cultural	50,109	47,917	50,018	82,372	64,607	61,753	53,159	57,851	44,848	30,071
Community development (1)	343,595	355,813	355,054	377,524	360,272	375,749	393,544	286,373	341,618	356,957
Interest on long-term debt	56,142	51,715	49,495	44,416	39,421	31,646	26,640	11,673	4,614	1,113
Total governmental activities expenses	\$ 5,048,422	\$ 5,511,926	\$ 5,859,266	\$ 5,157,113	\$ 5,528,713	\$ 5,532,857	\$ 4,883,708	\$ 6,082,084	\$ 6,740,117	\$ 6,807,784
Business-type activities:										
Water (1)	\$ 1,414,969	\$ 1,511,899	\$ 1,596,581	\$ 1,450,047	\$ 1,520,511	\$ 1,531,367	\$ 1,547,437	\$ 1,739,659	\$ 1,900,687	\$ 2,841,049
Sewer (1)	1,869,725	1,837,446	1,787,301	1,833,551	1,843,391	1,967,912	2,415,819	1,757,355	2,291,714	2,524,237
Total business-type activities expenses	\$ 3,284,694	\$ 3,349,345	\$ 3,383,882	\$ 3,283,598	\$ 3,363,902	\$ 3,499,279	\$ 3,963,256	\$ 3,497,014	\$ 4,192,401	\$ 5,365,286
Total primary government expenses	\$ 8,333,116	\$ 8,861,271	\$ 9,243,148	\$ 8,440,711	\$ 8,892,615	\$ 9,032,136	\$ 8,846,964	\$ 9,579,098	\$ 10,932,518	\$ 12,173,070
Component unit:										
Industrial Development Authority (3)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 829,260	\$ 17,280	\$ -	\$ 1,374	\$ 2,143
Total component unit expenses	\$ -	\$ 829,260	\$ 17,280	\$ -	\$ 1,374	\$ 2,143				
Program Revenues										
Primary government:										
Governmental activities:										
Charges for services:										
General government administration	\$ 315,072	\$ 317,016	\$ 325,716	\$ 332,820	\$ 339,677	\$ 345,862	\$ 365,674	\$ 393,464	\$ 422,296	\$ 488,940
Public safety	62,056	84,083	75,938	92,549	112,562	94,629	102,013	91,707	113,086	106,475
Public works	82,964	172,940	163,491	192,994	181,578	169,316	182,741	189,162	181,372	184,694
Parks, recreation and cultural	-	-	-	-	-	-	3,548	3,150	-	-
Community development	2,430	1,775	3,010	1,263	9,250	4,675	2,460	5,925	6,337	6,394
Operating grants and contributions	1,074,655	1,257,792	2,228,546	1,348,307	1,381,427	2,664,282	1,182,997	1,335,761	-	-
Capital grants and contributions (2)	335,279	-	-	-	-	-	-	-	1,585,560	1,741,119
Total governmental activities program revenues	\$ 1,872,456	\$ 1,833,606	\$ 2,796,701	\$ 1,967,933	\$ 2,024,494	\$ 3,278,764	\$ 1,839,433	\$ 2,019,169	\$ 2,308,651	\$ 2,527,622
Business-type activities:										
Charges for services:										
Water	\$ 1,313,480	\$ 1,174,447	\$ 1,252,490	\$ 1,301,768	\$ 1,280,293	\$ 1,365,871	\$ 1,407,361	\$ 1,384,103	\$ 1,479,414	\$ 1,642,221
Sewer	1,640,701	1,640,330	1,675,269	1,669,355	1,724,398	1,719,924	1,776,346	1,742,414	1,883,397	1,888,808
Capital grants and contributions	71,149	207,644	18,330	40,564	79,247	152,693	700,091	699,016	2,537,124	2,935,934
Total business-type activities program revenues	\$ 3,025,330	\$ 3,022,421	\$ 2,946,089	\$ 3,011,687	\$ 3,083,938	\$ 3,238,488	\$ 3,883,798	\$ 3,825,533	\$ 5,899,935	\$ 6,466,963
Total primary government program revenues	\$ 4,897,786	\$ 4,856,027	\$ 5,742,790	\$ 4,979,620	\$ 5,108,432	\$ 6,517,252	\$ 5,723,231	\$ 5,844,702	\$ 8,208,586	\$ 8,994,585
Component unit:										
Industrial Development Authority	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75,000	\$ 150,444	\$ 77,438
Total component unit revenues	\$ -	\$ 75,000	\$ 150,444	\$ 77,438						
Net (expense) / revenue										
Primary government:										
Governmental activities										
Business-type activities	\$ (3,175,966)	\$ (3,678,320)	\$ (3,062,565)	\$ (3,189,180)	\$ (3,504,219)	\$ (2,254,093)	\$ (3,044,275)	\$ (4,062,915)	\$ (4,431,466)	\$ (4,280,162)
Total primary government net (expense)/ revenue	\$ (3,435,330)	\$ (4,005,244)	\$ (3,500,358)	\$ (3,461,091)	\$ (3,784,183)	\$ (2,514,884)	\$ (3,123,733)	\$ (3,734,396)	\$ (2,723,932)	\$ (3,178,485)
Component unit:										
Industrial Development Authority (3)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (829,260)	\$ (17,280)	\$ 75,000	\$ 149,070	\$ 75,295
Total component unit net (expense)/ revenue	\$ -	\$ (829,260)	\$ (17,280)	\$ 75,000	\$ 149,070	\$ 75,295				

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

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General Revenues and Other Changes in Net Position										
Primary government:										
Governmental activities:										
Taxes:										
Property taxes	\$ 728,639	\$ 878,002	\$ 869,356	\$ 872,952	\$ 913,444	\$ 805,289	\$ 873,213	\$ 899,564	\$ 904,190	\$ 886,880
Local sales and use taxes	197,533	225,086	229,204	231,072	252,390	301,318	350,017	388,158	332,558	446,925
Restaurant food taxes	1,152,548	1,164,425	1,199,380	1,289,772	1,249,067	1,288,825	1,480,589	1,666,050	1,847,240	1,928,651
Consumers' utility taxes	239,301	219,739	234,574	240,652	237,885	232,921	233,134	241,494	221,249	222,720
Other local taxes	525,518	500,846	593,302	512,307	478,824	493,379	506,897	503,477	499,642	490,283
Unrestricted grants and contributions	304,340	308,556	309,463	289,990	284,720	267,679	252,307	239,059	255,212	262,816
Unrestricted revenues from use of money and property	19,514	11,622	12,490	25,776	17,896	27,834	6,547	229,937	306,457	208,681
Miscellaneous	127,104	12,977	23,657	68,910	81,500	35,873	93,748	136,949	63,499	78,241
Gain (loss) on the disposal of assets	-	34,126	6,705	7,486	22,910	14,302	17,387	28,959	18,054	24,229
Transfers	-	-	-	-	(62,698)	(850,000)	-	(650,000)	507,150	551,116
Total governmental activities	\$ 3,294,497	\$ 3,355,379	\$ 3,478,131	\$ 3,538,917	\$ 3,475,938	\$ 2,617,420	\$ 3,813,839	\$ 3,683,647	\$ 4,955,251	\$ 5,100,542
Business-type activities:										
Unrestricted revenues from use of money and property	\$ 1,688	\$ 1,618	\$ 3,250	\$ 5,789	\$ 3,981	\$ 778	\$ 410	\$ 18,180	\$ 109,325	\$ 122,150
Miscellaneous	90,435	61,634	60,737	245,369	149,273	180,029	207,086	188,741	331,376	113,783
Transfers	-	-	-	-	62,698	-	-	650,000	(507,150)	(551,116)
Total business-type activities	\$ 92,123	\$ 63,252	\$ 63,987	\$ 251,158	\$ 215,952	\$ 180,807	\$ 207,496	\$ 856,921	\$ (66,449)	\$ (315,183)
Total primary government	\$ 3,386,620	\$ 3,418,631	\$ 3,542,118	\$ 3,790,075	\$ 3,691,890	\$ 2,798,227	\$ 4,021,335	\$ 4,540,568	\$ 4,888,802	\$ 4,785,359
Component unit:										
Industrial Development Authority (1)										
Transfers	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 850,000	\$ -	\$ -	\$ -	\$ -
Total component unit	\$ -	\$ 850,000	\$ -	\$ -	\$ -	\$ -				
Change in Net Position										
Primary government:										
Governmental activities	\$ 32,641	\$ (383,823)	\$ 292,814	\$ 288,951	\$ 34,698	\$ 1,221,845	\$ (426,855)	\$ 3,813,839	\$ 523,785	\$ 820,380
Business-type activities	(108,515)	(234,801)	(374,541)	(207,924)	(28,806)	(44,839)	101,349	207,496	1,641,085	786,494
Total primary government	\$ (75,874)	\$ (618,624)	\$ (81,727)	\$ 81,027	\$ 5,892	\$ 1,177,006	\$ (325,506)	\$ 4,021,335	\$ 2,164,870	\$ 1,606,874
Component unit:										
Industrial Development Authority (1)										
Transfers	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (829,260)	\$ 832,720	\$ -	\$ 149,070	\$ 75,295
Total component unit	\$ -	\$ (829,260)	\$ 832,720	\$ -	\$ 149,070	\$ 75,295				

(1) Beginning balance restatement for FY24 related to implementation of GASB Statement No. 101

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

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Local Sales and Use Tax</u>	<u>Consumers' Utility Tax</u>	<u>Restaurant Food Tax</u>	<u>Other Local Taxes</u>	<u>Total</u>
2025	\$ 886,880	\$ 446,925	\$ 222,720	\$ 1,928,651	\$ 490,283	\$ 3,975,459
2024	904,190	332,558	221,249	1,847,240	499,642	3,804,879
2023	899,564	388,158	241,494	1,666,050	503,477	3,698,743
2022	873,213	350,017	233,134	1,480,589	506,897	3,443,850
2021	848,472	301,318	232,921	1,288,825	493,379	3,164,915
2020	913,444	252,390	237,885	1,249,067	478,824	3,131,610
2019	872,952	231,072	240,652	1,289,772	512,307	3,146,755
2018	869,356	229,204	234,574	1,199,380	593,302	3,125,816
2017	878,002	225,086	219,739	1,164,425	500,846	2,988,098
2016	729,128	197,533	239,301	1,152,548	525,518	2,844,028

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

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General fund										
Nonspendable	\$ 14,294	\$ 37,151	\$ 34,349	\$ 30,917	\$ 32,479	\$ 26,170	\$ 33,625	\$ (212,300)	\$ 47,300	\$ 44,882
Restricted	2,392	-	-	-	-	-	-	-	-	-
Unassigned	<u>2,933,891</u>	<u>2,707,406</u>	<u>3,503,942</u>	<u>3,810,970</u>	<u>4,035,551</u>	<u>4,399,122</u>	<u>4,601,538</u>	<u>5,028,393</u>	<u>4,810,052</u>	<u>5,664,513</u>
Total general fund	<u>\$ 2,950,577</u>	<u>\$ 2,744,557</u>	<u>\$ 3,538,291</u>	<u>\$ 3,841,887</u>	<u>\$ 4,068,030</u>	<u>\$ 4,425,292</u>	<u>\$ 4,635,163</u>	<u>\$ 4,816,093</u>	<u>\$ 4,857,352</u>	<u>\$ 5,709,395</u>
All other governmental funds										
Restricted										
Taylor park fund	\$ 108,296	\$ 108,489	\$ 108,919	\$ 72,721	\$ 73,090	\$ 73,162	\$ 73,178	\$ 73,432	\$ 73,852	\$ 74,282
Assigned										
Capital projects fund	-	-	-	-	-	-	-	1,934	3,963	27,012
Unassigned (deficit)										
Capital projects fund	<u>(5,573)</u>	<u>(33,032)</u>	<u>(61,238)</u>	<u>(45,421)</u>	<u>(48,563)</u>	<u>(47,981)</u>	<u>(19,546)</u>	-	-	-
Total all other governmental funds	<u>\$ 102,723</u>	<u>\$ 75,457</u>	<u>\$ 47,681</u>	<u>\$ 27,300</u>	<u>\$ 24,527</u>	<u>\$ 25,181</u>	<u>\$ 53,632</u>	<u>\$ 75,366</u>	<u>\$ 77,815</u>	<u>\$ 101,294</u>
Total fund balance, governmental funds	<u>\$ 3,053,300</u>	<u>\$ 2,820,014</u>	<u>\$ 3,585,972</u>	<u>\$ 3,869,187</u>	<u>\$ 4,092,557</u>	<u>\$ 4,450,473</u>	<u>\$ 4,688,795</u>	<u>\$ 4,891,459</u>	<u>\$ 4,935,167</u>	<u>\$ 5,810,689</u>

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

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenues										
General property taxes	\$ 729,128	\$ 836,044	\$ 875,217	\$ 882,249	\$ 839,730	\$ 848,472	\$ 888,713	\$ 909,236	\$ 904,190	\$ 886,880
Other local taxes	2,114,900	2,110,096	2,256,460	2,273,803	2,218,166	2,316,443	2,570,637	2,799,179	2,900,689	3,088,579
Permits, privilege fees and regulatory licenses	2,430	1,775	3,010	1,263	9,250	4,675	1,875	5,015	6,337	6,394
Fines and forfeitures	62,056	84,083	75,938	92,549	112,562	94,629	102,013	91,707	113,086	106,475
Revenue from use of money and property	10,079	11,622	12,490	25,776	17,896	27,834	24,196	246,258	319,803	223,817
Charges for services	82,964	172,940	163,491	192,994	181,578	169,316	181,116	186,322	181,372	184,694
Miscellaneous	148,468	47,104	30,361	76,396	104,410	50,175	111,135	165,908	81,553	102,470
Recovered costs	23,758	59,928	26,448	61,055	12,301	24,985	24,616	95,245	15,066	18,367
Revenue from internal sources	315,072	317,016	325,716	332,820	339,677	345,862	353,783	384,043	413,328	443,414
Intergovernmental revenues:										
Local government	-	-	-	-	-	-	17,280	-	-	-
Commonwealth	1,374,592	1,566,348	2,538,009	1,532,605	1,626,085	1,401,939	1,418,024	1,574,820	1,691,424	1,977,987
Federal	339,682	-	-	105,692	40,062	1,530,022	-	-	79,348	25,948
Total revenues	\$ 5,203,129	\$ 5,206,956	\$ 6,307,140	\$ 5,577,202	\$ 5,501,717	\$ 6,814,352	\$ 5,693,388	\$ 6,457,733	\$ 6,706,196	\$ 7,065,025
Expenditures										
General government administration	\$ 759,721	\$ 687,550	\$ 719,645	\$ 726,049	\$ 718,885	\$ 774,853	\$ 879,460	\$ 840,008	\$ 1,023,579	\$ 1,024,679
Public safety	1,394,255	1,453,981	1,575,768	1,537,340	1,559,848	1,720,515	1,677,178	1,744,704	1,896,820	2,059,735
Public works	1,629,591	1,688,096	1,613,496	1,611,253	1,610,575	1,685,359	1,649,971	2,018,580	2,198,796	2,410,108
Parks, recreation and cultural	21,629	26,623	28,724	61,078	30,889	30,005	31,865	35,057	40,439	26,777
Community development	110,555	120,146	121,418	133,296	119,082	130,452	147,684	202,548	212,598	240,223
Non-departmental	213,362	214,299	217,970	216,580	292,849	219,749	259,126	335,976	308,220	333,893
Capital projects	870,320	1,055,138	1,016,859	725,353	580,860	888,303	558,759	269,991	1,334,065	552,645
Debt service										
Principal	162,127	167,402	223,086	156,762	285,896	143,350	148,050	150,400	150,400	155,100
Interest and other fiscal charges	30,421	27,007	24,216	19,631	16,765	13,850	10,864	7,805	4,721	1,590
Retirement of capital lease	-	-	-	-	-	-	-	-	-	51,991
Total expenditures	\$ 5,191,981	\$ 5,440,242	\$ 5,541,182	\$ 5,187,342	\$ 5,215,649	\$ 5,606,436	\$ 5,362,957	\$ 5,605,069	\$ 7,169,638	\$ 6,856,741
Excess of revenues over (under) expenditures	\$ 11,148	\$ (233,286)	\$ 765,958	\$ 389,860	\$ 286,068	\$ 1,207,916	\$ 330,431	\$ 852,664	\$ (463,442)	\$ 208,284
Other financing sources (uses)										
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41,921	\$ -	\$ 507,150	\$ 561,003
Transfers out	-	-	-	(106,645)	(62,698)	(850,000)	(41,921)	(650,000)	-	(9,887)
Issuance of leases	-	-	-	-	-	-	-	-	-	46,122
Total other financing sources (uses)	\$ -	\$ -	\$ -	\$ (106,645)	\$ (62,698)	\$ (850,000)	\$ -	\$ (650,000)	\$ 507,150	\$ 597,238
Net change in fund balances	\$ 11,148	\$ (233,286)	\$ 765,958	\$ 283,215	\$ 223,370	\$ 357,916	\$ 330,431	\$ 202,664	\$ 43,708	\$ 805,522
Debt service as a percentage of noncapital expenditures	4.92%	4.89%	6.09%	4.34%	7.49%	3.62%	3.62%	3.27%	2.89%	3.59%

General Governmental Revenues by Source (1) (2)
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege fees, and Regulatory Licenses	Fines and Forfeitures	Revenue from Use of Money and Property	Charges for Services	Recovered Costs	Miscellaneous (2)	Inter-governmental	Total
2025	\$ 886,880	\$ 3,088,579	\$ 6,394	\$ 106,475	\$ 223,817	\$ 184,694	\$ 18,367	\$ 102,470	\$ 2,003,935	\$ 6,621,611
2024	904,190	2,900,689	6,337	113,086	319,803	181,372	15,066	81,553	1,770,772	6,292,868
2023	909,236	2,799,179	5,015	91,707	246,258	186,322	95,245	165,908	1,574,820	6,073,690
2022	888,713	2,570,637	1,875	102,013	24,196	181,116	24,616	111,135	1,435,304	5,339,605
2021	848,472	2,316,443	4,675	94,629	27,834	169,316	24,985	50,175	2,931,961	6,468,490
2020	839,730	2,218,166	9,250	112,562	17,896	181,578	12,301	104,410	1,666,147	5,162,040
2019	882,249	2,273,803	1,263	92,549	25,776	192,994	61,055	76,396	1,638,297	5,244,382
2018	875,217	2,256,460	3,010	75,938	12,490	163,491	26,448	30,361	2,538,009	5,981,424
2017	836,044	2,110,096	1,775	84,083	11,622	172,940	59,928	47,104	1,566,348	4,889,940
2016	729,128	2,114,900	2,430	62,056	10,079	82,964	23,758	148,468	1,714,274	4,888,057

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

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
2025	\$ 420,514,400	\$ 57,266,772	\$ 14,153,975	\$ 491,935,147	491,935,147	100.00%
2024	412,677,540	58,018,766	14,633,738	485,330,044	485,330,044	100.00%
2023	406,722,575	56,199,993	15,182,618	478,105,186	478,105,186	100.00%
2022	403,438,450	44,926,864	17,704,480	466,069,794	466,069,794	100.00%
2021	402,206,968	42,020,061	19,446,129	463,673,158	463,673,158	100.00%
2020	403,082,247	45,409,042	18,114,430	466,605,719	466,605,719	100.00%
2019	361,909,632	45,400,564	18,903,683	426,213,879	426,213,879	100.00%
2018	360,859,679	40,060,080	18,951,844	419,871,603	419,871,603	100.00%
2017	360,271,230	35,671,613	17,808,609	413,751,452	413,751,452	100.00%
2016	356,080,893	34,424,008	17,186,324	407,691,225	407,691,225	100.00%

Source: Commissioner of Revenue of Orange County

Property Tax Rates (1)
Last Ten Fiscal Years

Fiscal Years	Direct Rates				
	Real Estate	Personal Property	Machinery and Tools	Public Service RE/PP	Mobile Home
2025	\$.157/.157	\$ 0.620	\$ 0.066	\$.157/.620	\$ 0.157
2024	.157/.157	0.620	0.066	.157/.620	0.157
2023	.157/.157	0.620	0.066	.157/.620	0.157
2022	.157/.157	0.830	0.066	.157/.830	0.157
2021	.157/.157	0.830	0.066	.157/.830	0.157
2020	.175/.157	0.830	0.066	.175/.830	0.175
2019	.175/.175	0.830	0.066	.175/.830	0.175
2018	.175/.175	0.830	0.066	.175/.830	0.175
2017	.155/.175	0.830	0.066	.155/.830	0.155
2016	.155/.155	0.830	0.066	.155/.830	0.155

(1) Per \$100 of assessed value

Property Tax Levies and Collections
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Total(1) Tax Levy</u>	<u>Current Tax(1) Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections to Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Percent of Delinquent Taxes to Tax Levy</u>
2024-25	\$ 1,005,897	\$ 945,574	94.00%	\$ 30,921	\$ 976,495	97.08%	\$ 85,704	8.52%
2023-24	983,211	956,690	97.30%	37,115	993,805	101.08%	58,665	5.97%
2022-23	961,107	956,724	99.54%	48,723	1,005,447	104.61%	58,212	6.06%
2021-22	959,671	941,898	98.15%	26,064	967,962	100.86%	77,084	8.03%
2020-21	941,534	903,039	95.91%	58,119	961,158	102.08%	74,806	7.95%
2019-20	967,555	919,560	95.04%	37,539	957,099	98.92%	46,559	4.81%
2018-19	970,558	915,070	94.28%	25,728	940,798	96.93%	58,648	6.04%
2017-18	950,348	938,912	98.80%	19,551	958,463	100.85%	36,377	3.83%
2016-17	873,536	845,956	96.84%	6,973	852,929	97.64%	64,014	7.33%
2015-16	822,344	796,864	96.90%	25,754	822,618	100.03%	22,286	2.71%

(1) Includes Commonwealth's PPTRA reimbursement

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

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

Fiscal Year	Population	Assessed Value (In Thousands) (2)	Gross General Obligation Debt (1)	Debt Payable from Enterprise Revenues (1)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value (2)	Net Bonded Debt per Capita
2025	5,085	\$ 491,935	\$ 920,000	\$ 920,000	-	0.00%	\$ -
2024	5,079	485,330	1,340,000	1,184,900	155,100	0.03%	31
2023	5,073	478,105	1,750,000	1,444,500	305,500	0.06%	60
2022	5,067	466,070	2,160,000	1,704,100	455,900	0.10%	90
2021	5,061	463,673	2,565,000	1,961,050	603,950	0.13%	119
2020	5,055	466,606	2,950,000	2,202,700	747,300	0.16%	148
2019	5,049	426,214	3,330,000	2,441,700	888,300	0.21%	176
2018	5,044	419,872	3,704,999	2,678,049	1,026,950	0.24%	204
2017	4,988	413,751	4,074,999	2,911,749	1,163,250	0.28%	233
2016	4,947	407,691	4,429,999	3,132,799	1,297,200	0.32%	262
2015	4,902	407,647	4,774,999	3,348,549	1,426,450	0.35%	291

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

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

Compliance



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund, of Town of Orange, Virginia, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Town of Orange, Virginia's basic financial statements, and have issued our report thereon dated November 28, 2025.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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



Charlottesville, Virginia
November 28, 2025



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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Town of Orange, Virginia's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Town of Orange, Virginia's major federal programs for the year ended June 30, 2025. The Town of Orange, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, 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, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Town of Orange, Virginia and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Town of Orange, Virginia's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Town of Orange, Virginia's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Town of Orange, Virginia's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Town of Orange, Virginia's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Town of Orange, Virginia's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Town of Orange, Virginia's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Town of Orange, Virginia's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Report on Internal Control over Compliance: (Continued)

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Robinson, Farmer, Cox Associates

Charlottesville, Virginia

November 28, 2025

TOWN OF ORANGE, VIRGINIA

Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2025

Federal Grantor/State Pass Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass Through Entity Identifying Number	Federal Expenditures
Department of Justice:			
Pass Through Payments:			
Virginia Department of Criminal Justice Services:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	15PBJA22GG00616MUMU	\$ 5,971
Department of Transportation:			
Pass Through Payments:			
Virginia Department of Transportation:			
Highway Planning and Construction	20.205	n/a	19,977
Department of the Treasury:			
Direct Payments			
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	n/a	1,708,552
Pass Through Payments:			
Virginia Department of Health:			
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	n/a	383,289
Total Department of the Treasury:			\$ <u>2,091,841</u>
Total Expenditures of Federal Awards			\$ <u><u>2,117,789</u></u>

TOWN OF ORANGE, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2025

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Town of Orange, Virginia under programs of the federal government for the year ended June 30, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town of Orange, Virginia, it is not intended to and does not present the financial position, change in net position, or cash flows of the Town of Orange, Virginia.

Note 2 - Summary of Significant Accounting Policies

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Pass-through entity identifying numbers are presented where available.

Note 3 - Subrecipients

No awards were passed through to subrecipients.

Note 4 - De Minimis Cost Rate

The Town did not elect to use the 15-percent de minimis indirect cost rate allowed under Uniform Guidance.

Note 5 - Relationship to Financial Statements

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

Primary government:		
General fund	\$	25,948
Water fund		1,540,725
Sewer fund		<u>551,116</u>
Total federal expenditures per basic financial statements	\$	<u><u>2,117,789</u></u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$	<u><u>2,117,789</u></u>

TOWN OF ORANGE, VIRGINIA

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2025

Section I - Summary of Auditors' Results

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	No
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Identification of major programs:

Assistance

<u>Listing #</u>	<u>Name of Federal Program or Cluster</u>
21.027	COVID-19 Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
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Auditee qualified as low-risk auditee?	No
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Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

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

Section IV - Prior Year Findings

There are no findings from the prior year.