

COUNTY OF ORANGE, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2011

PREPARED BY:
FINANCE DEPARTMENT
ORANGE, VIRGINIA

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INTRODUCTORY SECTION

ORANGE COUNTY, VIRGINIA

Julie G. Jordan
County Administrator

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Orange, VA 22960

December 5, 2011

To the Board of Supervisors and the Citizens of Orange County:

The Code of Virginia (§ 15.2-2511) requires that all localities publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2011.

Management assumes full responsibility for the completeness and reliability of the information presented in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal controls should not outweigh their benefits, Orange County's framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

Brown, Edwards & Co., L.L.P., a firm of licensed certified public accountants, has audited and issued an unqualified "clean" opinion on the financial statements of Orange County for the fiscal year ended June 30, 2011. The Independent Auditors' report is presented as the first component of the financial section of this report.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. Orange County's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

Orange County, Virginia, is a rural, but developing county with a landscape dominated by gently rolling hillsides, spectacular views of the beautiful Blue Ridge Mountains, the Rapidan River and several of Virginia's most significant historic areas. Located in Virginia's north-central Piedmont region, the County is 72 miles northwest of Richmond, 55 miles southwest of Washington, D.C. and 25 miles northeast of Charlottesville. The County consists of 355 square miles of land that ranges in elevation from 175 feet above sea level along the Rapidan River to 1,200 feet above sea level in the mountains and has an estimated population of 34,620. The County was named after William IV, Prince of Orange, and was formed in 1734. The Town of Orange became Orange County's judicial seat in 1749 when Culpeper County was formed making the previous courthouse location at Raccoon Ford far from the center of the new County.

The County includes two incorporated towns, the Towns of Gordonsville (population 1,496) and Orange (population 4,721), which are the main centers of commercial and industrial activity. A planned residential community known as the Lake of the Woods is also located within the County and offers a private residential setting with recreation and open space areas.



Orange County Courthouse

The County operates under the traditional Board of Supervisors/County Administrator form of government as defined under Virginia law. The governing body of the County is the Board of Supervisors, which establishes policies for the administration of the County. The Board of Supervisors consists of five members representing the five election districts. The Chairman of the Board of Supervisors is elected from the Board of Supervisors and serves in addition

to being a District Supervisor. The Board of Supervisors appoints a County Administrator to serve as the administrative manager of the County. The County Administrator serves at the pleasure of the Board of Supervisors, carries out policies established by the Board of Supervisors, and directs business and administrative procedures with the County government.

In addition to the elected Board of Supervisors, five constitutional officers are elected. These officers include the Commissioner of Revenue, the Commonwealth's Attorney, the Clerk of the Circuit Court, the Sheriff, and the Treasurer.

The County provides a full range of services to its residents, including education, public safety, judicial services, solid waste disposal, community and economic development, airport, parks and recreation activities, public libraries, health and welfare, and general administration.

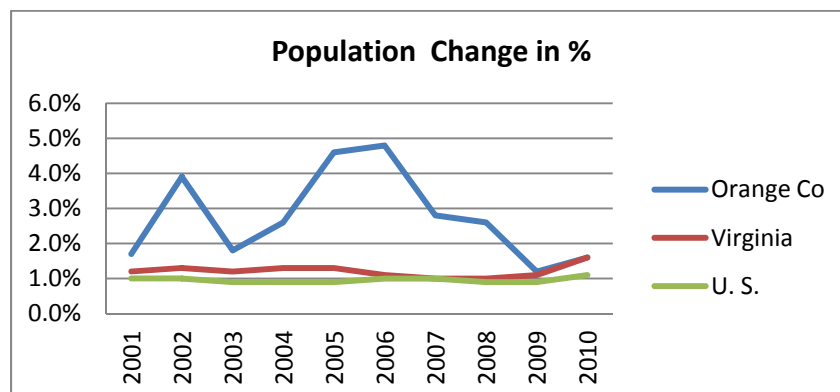
Orange County is financially accountable for a legally separate school district, which is reported separately within the financial statements as a component unit. The Orange County Public Schools is the single largest service provided by the County. The School Board is composed of five elected members from each of the election districts. The School Board appoints a Superintendent to administer the policies of the School Board. The school system is comprised of one high school, two middle schools, and six elementary schools. The average daily membership for the purpose of establishing the amounts of state school aid for school year 2010-2011 was 5,028. This is a decrease of 84 students from the prior year. The mission statement adopted by the Orange County Public Schools is: *"Improving the future by empowering our students to value learning, achieve their full potential, and pursue their dreams."*

The Economic Development Authority (EDA) is a component unit of the County and has the power to issue tax-exempt industrial development revenue bonds to qualifying enterprises wishing to utilize that form of financing. Those bonds represent limited obligations of the EDA to be repaid solely from the revenue and receipts from the project funded with these proceeds. The debt outstanding does not constitute a debt or pledge of the faith and credit of the County or the EDA.

Virginia law requires the County to maintain a balanced budget in each fiscal year. The annual budget serves as the foundation of the County's financial planning and control. County departments and agencies begin their budget preparation each fall. In February, the County Administrator submits a proposed operating and capital budget. The operating and capital budgets include proposed expenditures and the means of financing such expenditures. Work sessions are scheduled to further refine the proposal and align it with goals and objectives. A public hearing is conducted to obtain citizen comments on the proposed budget and tax rates. After consideration of public comment, the Board approves and appropriates the budget and sets property tax rates.

Economic Conditions and Outlook

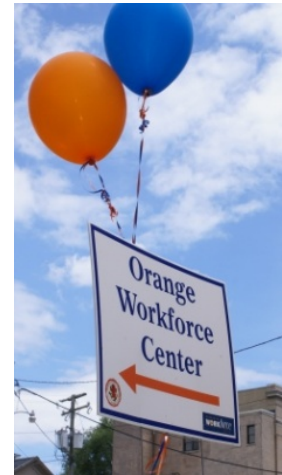
The County continued to feel the effects of the national recession, but is showing signs of a slow recovery in Fiscal Year 2011. A major driver of the County's economy over the last decade has been population growth with many new residents moving in to enjoy the County's more rural and picturesque location and proximity to the markets of Richmond, Charlottesville, Culpeper, and the Washington D.C metropolitan area. As indicated in the following chart, Orange County's population growth over the last several years has been well above the state and national rates and growth in the commercial and service sectors of the economy accompanied those new residents. As the general economy has slowed, so has the in-migration and Orange County's population growth now closely mirrors that of the state.



The County was pleased to announce the opening of the Orange Workforce Center this year. The center was established to assist job seekers and employers and works with over 200 citizens per month. Unemployment rates in the County have risen due to the recession and the County continues to monitor activity in its workforce development center. Information provided by the Virginia Employment Commission indicates a County unemployment rate at June 30, 2011, of 6.8%; somewhat higher than the state average 6.4% but below the national unemployment rate of 9.3% at the same time.

Per capita personal income has risen by 10% over 2010 and sales tax revenue for the month of June was \$211,098 compared to \$193,719 the previous year, an increase of 8.9%. These are positive indicators that the local economy may be starting to recover.

All of this has been reflected in the County's tax receipts. The taxable assessed value of real property in the County increased by only .4% over the prior year as the construction industry continued to decline. Machinery and Tools assessed values went down by 11% as the overall value of those properties showed a serious decline. The county-wide reassessment of real estate which will not be effective until 2012 indicates an overall potential decrease in values of approximately 28%. This decrease in values will necessitate the tax rate being equalized to produce the same amount of revenue.



Barboursville Winery

While overall business activity has slowed, Orange County retains a strong core of manufacturing businesses taking advantage of the County's location, skilled labor force, and business friendly atmosphere. The County is the location for production and distribution facilities of nationally recognized industry leaders in such diverse sectors as plumbing tools, production molding, hardcover books, and rocket propulsion systems.

Agriculture continues to play a major role in the County's economic life. The number of farms in the County has actually grown over the last several years even though the acreage devoted to farming has declined slightly. In addition to farming, however, the County is home to several related agribusinesses including a greenhouse facility that supplies a national retail chain, three wineries, and a laboratory specializing in natural pesticides and herbicides that have no adverse impact on the environment.

Major Initiatives

The School Board and Board of Supervisors continued construction of a new \$36 million middle school, and it was approximately 95% complete as of the end of the year. Construction was substantially completed in time for the school year opening in fall 2011. It is designed for 1,200 students and the 49 acre site has been planned to accommodate other County park and recreation amenities, such as baseball and sports fields.

The County has undertaken and has planned for several capital improvement projects at the County Airport to improve access, safety and capacity and make the facility a more valuable tool for economic development in the County. A general aviation terminal building was constructed during the fiscal year (pictured to the right) and the relocation of the fuel farm is scheduled to begin in the near future. Federal and state grants are providing the majority of the financing for this and other future projects.

New General Aviation Terminal



Tourism efforts continued to be strong in the year ending June 30, 2011. A number of respected travel writers were hosted by our Director of Tourism, many resulting in mentions in the press. Also Familiarization Tours were conducted with Virginia Tourism Corporation staff, tour operators, Journey Through Hallowed Ground members, and visitor center volunteers to highlight the County's attractions, venues, restaurants, lodging and other amenities. Tourism staff continued to provide support for many local tourism events such as the Montpelier Wine Festival, the Pick of the Piedmont, Orange County Cruisers, and the Orange County Fair, the Trashy Ribs and Blues Festival, and the Wine, Wings & Wheels Wine Festival.

Regional tourism initiatives such as partnerships with the Rappahannock Rapidan Regional Commission, Civil War Trails, Journey Through Hallowed Ground, and Piedmont Crossroads Visitors Center made strides towards our overall tourism success. Finally, the Civil War Sesquicentennial Committee and strategy continued. Visitation from civil war enthusiasts was on the increase and three successful sesquicentennial document digitization projects and the civil war driving tour brochure were completed.

Relevant Financial Policies

The Board of Supervisors continued its fund balance policy which sets the minimum level of acceptable unreserved General Fund balance for a fiscal stability reserve at 15% of the combined actual operating expenditures of the General Fund and School Operating Fund (net of inter-fund transfers). In addition, the Board's policy states that unassigned general fund balance should not exceed 18%. At June 30, 2011, unassigned General Fund balance increased to 23.35% of expenditures as defined in the policy. Subsequent to June 30, 2011, carry-forward requests were approved and additional fund balance amounts assigned of \$1,647,521 bringing the percentage to 21.09% of operating expenditures for FY11.

Awards & Acknowledgements

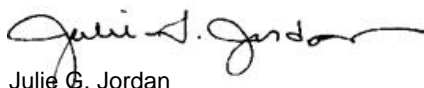
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Orange for its comprehensive annual financial report for the fiscal year ended June 30, 2010. This was the fifth consecutive year the County has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

This report reflects the results of the Board of Supervisors' strong financial policies. The Board's support and cooperation in planning and conducting the financial operations of the County is acknowledged and appreciated.

We also acknowledge and extend special recognition to the staffs of the Finance and Treasurer's departments for their efficient and dedicated service to the County. Their efforts to maintain the accounting and financial reporting system of the County have led to the high quality of information being reported to the Board of Supervisors and citizens of the County, as well as present and potential investors.

Respectfully submitted,



Julie G. Jordan
County Administrator

Certificate of Achievement for Excellence in Financial Reporting

Presented to

**County of Orange
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



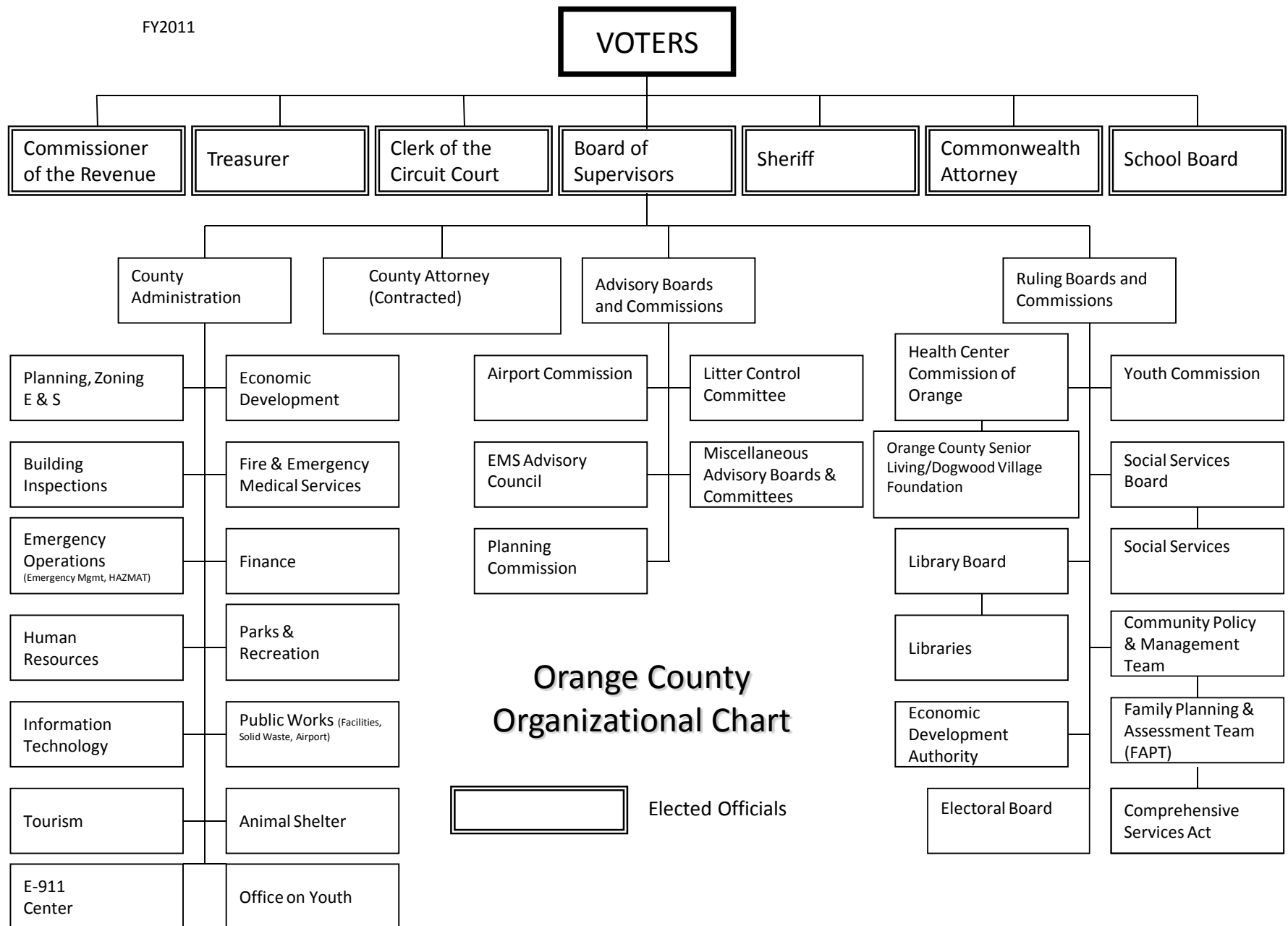
Linda C. Danison

President

Jeffrey R. Ener

Executive Director

FY2011



COUNTY OF ORANGE, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS
June 30, 2011

BOARD OF SUPERVISORS

Lee Frame, Chairman
Shannon C. Abbs, Vice-Chairman

S. Teel Goodwin	Grover C. Wilson, Jr.	Zack Burkett
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SCHOOL BOARD

Jerry Bledsoe, Chairman
Judy P. Carter, Vice Chairman

Donna-Waugh Robinson	Lou Thompson	Jim Hopkins
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SOCIAL SERVICES BOARD

Lynn Huntsman, Chairman
Pat Nabors, Vice-Chairman

Diana Anderton	Rose Bowman	JoAnn Herndon
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OTHER OFFICIALS

Judge of the Circuit Court	Daniel R. Bouton
Clerk of the Circuit Court	Teresa T. Carroll
Judge of the General District Court	Roger L. Morton and W. A. Talley, Jr.
Judge of the Juvenile & Domestic Relations Court	Frank Somerville and Dwight Johnson
County Attorney	Sharon Pandak
Commonwealth's Attorney	Diana Wheeler
Commissioner of the Revenue	Donna H. Chewning
Treasurer	Phyllis M. Yancey
Sheriff	Mark A. Amos
Superintendent of Schools	Dr. Robert Grimesey, Jr.
Clerk of the School Board	Laura Byram
Director of Social Services	Robert D. Lingo
County Administrator	Julie G. Jordan
Finance Director	Glenda Bradley
School Board Finance Director	Matt Benefield

INDEPENDENT AUDITORS

Brown, Edwards & Company, L.L.P.

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
County of Orange, Virginia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Orange, Virginia (the "County"), as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and *Specifications for Audits of Counties, Cities, and Towns* and *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Orange, Virginia, as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2011, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information as listed on the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
December 5, 2011

Management's Discussion and Analysis

As management of the County of Orange (the County), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i through iv of this report.

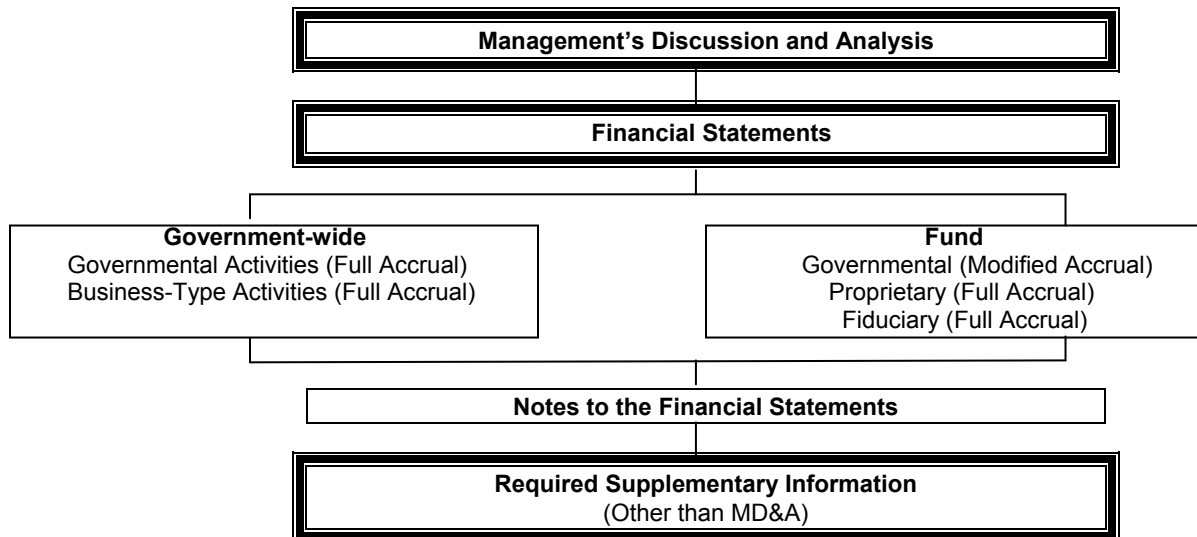
Financial Highlights

- The assets of the County of Orange (primary government) exceeded its liabilities at the close of the most recent fiscal year by \$44,860,440 (*net assets*). Of this amount \$30,544,379 resulted from governmental activities and \$14,316,061 from business-type activities.
- On a government-wide basis for governmental activities, the County had expenses net of program revenues of \$36,627,720 which were \$1,122,793 less than the general revenues and transfers of \$37,750,513.
- On a government-wide basis for business-type activities, the County had expenses net of program revenues of \$2,305,216. A total of \$1,633,404 was added to net assets mainly due to transfers to the Landfill fund for future closure costs and the landfill expansion.
- At June 30, 2011, unassigned General Fund balance was \$17,101,685 or 23.35% of actual operating expenditures as defined by the County's fund balance policy. Total general fund balance increased by \$2,272,480 from FY2010. Actual General Fund revenues exceed budget estimates by \$1,763,830 and actual General Fund expenditures were less than budget estimates by \$3,019,998. The County appropriated \$2,511,348 from its fund balance for the FY11 budget that was not used due to the better-than-expected financial results. It should be noted, however, that the FY12 budget includes an appropriation of \$2,451,476 in fund balance and part of the remaining fund balance will be carried forward for ongoing projects in FY12.
- During 2011, the County received proceeds from the Virginia Public School Authority in the amount of \$1,350,021 representing the savings from re-financing a previous VPSA issue.
- Construction in Progress for school construction increased by \$6,777,176 as the construction of the new Eastern Middle School was drawing to a close. The new school was put into service after the close of the fiscal year.

Using the Comprehensive Annual Financial Report

The Comprehensive Annual Financial Report consists of four sections: introductory, financial, statistical, and compliance. As illustrated in the chart below, the financial section of this report has three components: management's discussion and analysis (this section), the basic financial statements, and required supplementary information.

Components of the Financial Section



The County's financial statements present two different kinds of statements (government-wide and fund), with two different approaches and views of the County's finances. The government-wide statements provide information on the overall financial status of the County. This method is more comparable to the method used in private industry. The fund financial statements focus on the individual funds of the County government, reporting the operations in more detail than the government-wide statements. When presented in a single report, both perspectives allow the user to address relevant questions, broaden the basis for comparison, and enhance the County's accountability.

Government-wide Financial Statements

The government-wide statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. These statements include all assets and liabilities using the accrual method of accounting. All of the year's revenue and expenses are taken into account regardless of when the cash is received or paid.

The two government-wide statements, the Statement of Net Assets and the Statement of Activities, report the County's net assets and changes in them. The County's net assets can be thought of as the difference between assets and liabilities, which is one way to measure the County's financial position. Over time, increases and decreases in net assets can be one indicator that the County's financial health is improving or deteriorating.

The Statement of Net Assets presents information on all the County's assets and liabilities. As discussed earlier, the difference between assets and liabilities is reported as net assets. Net assets are presented in three categories: invested in capital assets-net of related debt, restricted, and unrestricted. To accurately use changes as an indicator of the County's financial health, the factors that contribute to the increases and decreases must be analyzed. Other factors such as the County's tax rate, changes in the property tax base, and the condition of fixed assets must also be considered when using the Statement of Net Assets as a financial indicator.

The Statement of Activities provides information on how the net assets changed during the year. Since the government-wide financial statements use the accrual method of accounting, changes in net assets are recognized when an event occurs, regardless of the timing of cash. This will result in revenues and expenses being reported in this statement for some items that will not impact cash flow until a later time in another fiscal period.

The Statement of Net Assets and the Statement of Activities are divided into the following types of activities:

- Governmental Activities: These activities are supported primarily by property taxes and report the County's basic services such as general and judicial administration, public safety, parks and recreation, and community development.
- Business-Type Activities: These activities charge fees to customers to help cover the costs of the service. The County's Airport and Landfill Funds are the two business-type activities for Orange County.
- Component Units: The Orange County Public School Board and the Economic Development Authority are component units of the County. Component units are legally separate entities, but are reported in the County's financial statements because the County is financially accountable and provides operating and capital funding.

Fund Financial Statements

Fund financial statements are the traditional governmental financial statements. They focus on the most significant funds instead of the County as a whole. Orange County operates three types of funds.

- Governmental Funds: The governmental funds report most of the County's basic services. The governmental funds serve essentially the same function as the governmental activities in the government-wide financial statements. The governmental fund financial statements focus on near-term cash flows and the amount of spendable resources available at the end of the fiscal year. It provides the reader a short-term view of the financial position. Since the information provides a narrow focus, the government-wide statements will provide additional information. Reconciliation from the fund statements is provided to facilitate this comparison.

- **Proprietary Funds:** There are two types of proprietary funds: Enterprise Funds and Internal Service Funds. Enterprise funds report the same functions as the business-type activities in the government-wide financial statements. Internal service funds account for the goods and services provided by one department or agency to other departments or agencies of the County. The County of Orange currently has two Enterprise Funds and no Internal Service Funds.
- **Fiduciary Funds:** Fiduciary funds are used to report assets held in trustee or agency capacity for others and cannot be used to support the government's own programs. The County is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The County's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. Assets for Special Welfare, Rapidan Hills Limited Partnership, the Commonwealth of Virginia, and amounts for bond escrow are held in fiduciary funds. These fiduciary activities are excluded from the County's government-wide financial statements because the County cannot use these assets to finance its operations.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23-52 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning Orange County's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 53-55 of this report.

The combining statements in connection with non-major governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 56-66 of this report.

Government-wide Financial Analysis

The following table presents the condensed Statement of Net Assets:

Orange County, VA Summary Statement of Net Assets

	Primary Government				Component Units	
	Governmental Activities		Business-type Activities			
	2011	2010	2011	2010	2011	2010
Current and Other Assets	\$ 49,008,105	\$ 57,710,360	\$ 6,914,022	\$5,484,081	\$ 7,121,466	\$ 7,019,576
Capital Assets (net)	85,508,643	82,772,150	11,649,754	10,406,280	27,627,452	24,889,709
Total Assets	134,516,748	140,482,510	18,563,776	15,890,361	34,748,918	31,909,285
Long-term Liabilities	99,424,318	105,266,795	3,970,075	2,748,792	2,764,991	2,248,114
Other Liabilities	4,548,051	5,794,129	277,640	458,912	5,077,122	5,005,029
Total Liabilities	103,972,369	111,060,924	4,247,715	3,207,704	7,842,113	7,253,143
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	11,254,062	9,819,775	11,649,754	10,406,280	27,627,452	24,889,709
Unrestricted	19,290,317	19,601,811	2,666,307	2,276,377	(720,647)	(233,567)
Total Net Assets	\$ 30,544,379	\$ 29,421,586	\$14,316,061	\$12,682,657	\$ 26,906,805	\$ 24,656,142

The following table presents the condensed Statement of Changes in Net Assets:

Orange County, VA
Summary Statement of Changes in Net Assets

	Primary Government					
	Governmental Activities		Business-type Activities		Component Units	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program Revenues						
Charges for Services	\$ 3,835,445	\$ 2,342,899	\$ 726,675	\$ 511,252	\$ 1,063,327	\$ 1,052,791
Operating Grants & Contributions	7,393,931	6,034,820	11,568	7,263	26,893,591	29,174,316
Capital Grants & Contributions	47,546	625,490	1,144,325	1,064,193	-	-
General Revenues						
Real Estate & Personal Property Taxes	32,155,490	31,599,974	-	-	-	-
Other Taxes	5,693,705	5,579,881	-	-	-	-
Payments from County	-	-	-	-	18,892,676	19,150,798
Non-restricted Grants	2,945,313	2,978,545	-	-	-	-
Use of Property & Money	354,819	1,974,347	-	-	19,133	19,324
Miscellaneous	491,702	633,102	48,104	106,302	306,025	170,072
Total Revenues	52,917,951	51,769,058	1,930,672	1,689,010	47,174,752	49,567,301
Expenses:						
General Administration	3,568,522	4,853,079	-	-	44,711	45,666
Judicial Administration	1,496,249	1,320,372	-	-	-	-
Public Safety	9,755,361	10,017,491	-	-	-	-
Public Works	642,287	679,892	-	-	-	-
Health & Welfare	6,471,864	2,921,752	-	-	-	-
Education	19,494,387	19,675,748	-	-	44,879,378	48,364,579
Parks, Recreation, and Cultural	1,074,565	1,726,933	-	-	-	-
Community Development	1,013,298	1,506,794	-	-	-	-
Interest on Long-Term Debt	4,388,109	3,749,091	-	-	-	-
Airport	-	-	840,425	735,337	-	-
Landfill	-	-	3,347,359	2,259,476	-	-
Total Expenses	47,904,642	46,451,152	4,187,784	2,994,813	44,924,089	48,410,245
Transfers In (Out)	(3,890,516)	(3,295,789)	3,890,516	3,295,789	-	-
Change in Net Assets	1,122,793	2,022,117	1,633,404	1,989,986	2,250,663	1,157,056
Net Assets, Beginning, as restated	29,421,586	27,399,469	12,682,657	10,692,671	24,656,142	23,499,086
Net Assets, Ending	\$ 30,544,379	\$ 29,421,586	\$ 14,316,061	\$ 12,682,657	\$ 26,906,805	\$ 24,656,142

The Primary Government's governmental net assets increased by \$1,122,793 to \$30,544,379 from \$29,421,586. Unrestricted governmental net assets were reduced by \$311,494. Both assets and liabilities for governmental functions declined while assets and liabilities for business-type activities increased. This is partially due to the transfer of funds to the Landfill Fund from the General Fund for future landfill closure and expansion costs. There is also a significant amount of construction activity at the Airport related to a new terminal building and the relocation of the fuel farm. Funding for these projects is primarily from federal and state grants.

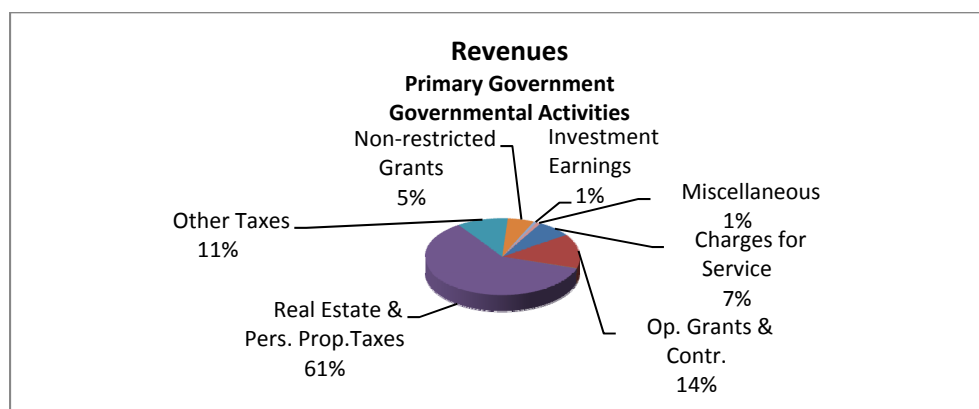
Revenues

For the fiscal year ended June 30, 2011, revenues generated by the Primary Government's governmental activities totaled \$52,917,951. General property taxes, the County's largest revenue source, were \$32,155,490. Included in this total are real and personal property levies, which are due on June and December 5th each year. The real estate tax rate for FY11 was \$0.49 per \$100 of assessed value, the same as the rate for FY10.

FY11 continues to reflect the changes in the Personal Property Tax Relief Act (PPTRA) that were approved by the General Assembly in 2005. This legislation capped the amount localities receive from the state. The new legislation established a fixed amount to be provided to localities for funding tax relief for vehicles valued at less than \$20,000. The new PPTRA became effective with the 2006 tax year and is based on the amount collected for 2004 taxes through December 2005. The total amount Orange County receives under the new program is \$2,763,073. This amount enabled the County to provide car tax relief of 45% up to the first \$20,000 in value for FY11.

The other local tax category includes sales tax, consumer utilities tax, occupancy tax, recordation tax, and food and beverage tax. This category of income reflects an overall increase of \$113,824 from the previous year. Sales tax collections are up 3.7% over the same period in the prior year, Utility Users and Communications Taxes are up 1.7%, and Meals Taxes are up by 12.5%. Recordation Taxes were down by \$61,768 or 13.5% due to the continued decline in real estate activity.

Program revenues are derived from the program itself and reduce the cost of the function to the County. This category includes user fees and operating and capital grant revenues. Total program revenues for governmental activities were \$11,276,922. Program revenues in the governmental funds include a "charges for services" category that totaled \$3,835,445 and includes charges for ambulance fees, recreation and childcare programs, and building permits. The proprietary fund generated program revenues of \$726,675 from user charges and \$1,155,893 in grant revenues.



Expenses

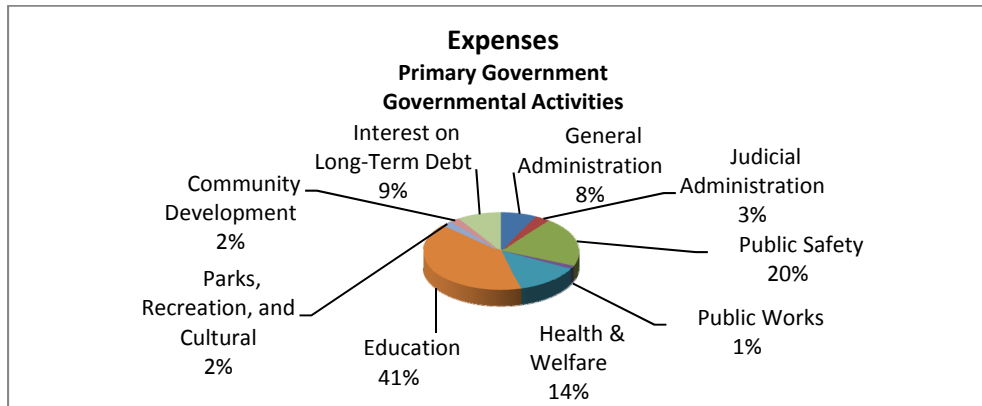
For the fiscal year ended June 30, 2011, expenses for governmental activities totaled \$47,904,642, a decrease of \$785,716. Expenses include the cost of employee compensation, contributions to the school board, and interest on governmental debt and were reduced in almost every category except for Judicial Administration, Health & Welfare, and Interest on Long-Term Debt.

Personnel expenses for FY11 included no salary adjustments due to budget constraints. Retirement contributions were 14.54% of the employees' salary. As of July 1, 2010, new hires who are not current members of VRS are required to contribute 5% of this amount through payroll deduction. Premiums for group life insurance coverage were .28% of annual salaries.

For the FY11 budget, the County was forced to refine and reduce operational expenses due to reductions in revenue projections. The county implemented expenditure reductions ranging from expenses involving travel, training and office supplies to reductions in force and renegotiated contracts for insurance and audit services. Additionally, the state continued to impose reductions to the aid to localities program. For FY11, Orange County's revenues were reduced by \$137,987 as part of this statewide reduction.

Health and Welfare was one of the only categories to reflect an increase for FY11 and it was largely due to increasing contributions for the CSA (Comprehensive Services Act) program. Of the increase, \$408,849 consisted of additional CSA local contributions.

The County's Proprietary Funds reflect a total of \$4,187,784 in expenses compared to \$2,980,476 for FY10. The largest difference is the cost of a corrective action plan for the landfill which was adjusted in FY11 for \$1,275,052. Airport expenses also increased with activity levels due to a better marketing strategy. The increase was almost directly offset by an increase in revenue from fuel sales and hanger and tie-down rents.



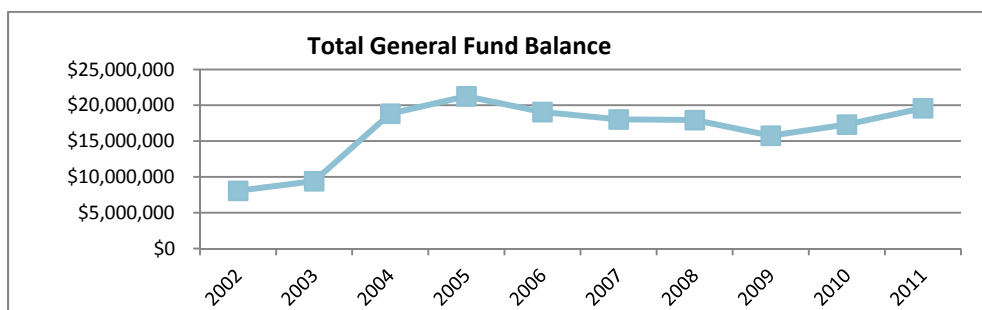
Financial Analysis of the Government's Funds

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

For the fiscal year ended June 30, 2011, the County's governmental funds reflect a combined fund balance of \$24,464,470, most of which is reserved for specific purposes such as capital outlay and debt service. This is a decrease of \$6,693,363 from FY10 which is due to the use of financing proceeds in the capital project funds and the debt service fund. Fund balance in the General Fund increased by \$2,272,480 partly due to efforts on the part of County departments and the School Board to limit expenditures as much as possible in light of the ongoing recession and projected declining revenues. General Fund revenues came in higher than originally budgeted and the combination allowed for the total addition to fund balance. Ending fund balance in the debt service fund was a negative \$107,010 at year end because of a debt service payment that was mistakenly submitted before its scheduled due date.

The School Operating Fund has not historically accumulated a separate fund balance; therefore general fund balance must be sufficient to cover unexpected cash flow needs and lagging revenue collections when necessary. For fiscal year FY11, the School Operating Fund reflects a negative ending fund balance of \$147,188. This occurred due to the late accrual of an invoice related to the middle school construction project and will be offset during FY12. Fund Balances in the capital project funds decreased due to the spend-down of financing proceeds and the on-going project expenses of each fund.

In the General Fund, unassigned fund balance is \$17,101,685. The Board of Supervisors has established a fund balance policy which sets the minimum level of acceptable unreserved General Fund balance at 15% of the combined actual operating expenditures of the General Fund and School Operating Fund (net of interfund transfers). In addition, the Board's policy states that unassigned general fund balance should not exceed 18%. At June 30, 2011, unassigned General Fund balance increased to 23.35% of expenditures as defined in the policy. Subsequent to June 30, 2011, carry-forward requests were approved and additional fund balance amounts assigned of \$1,647,521 bringing the percentage to 21.09% of operating expenditures for FY11.



General Fund Budgetary Highlights

Differences between the original operating budget and the final operating budget resulted in a net increase of \$2,133,594 in additional appropriations. Highlights of the budget amendments are as follows:

- \$982,987 in additional funds for CSA (Comprehensive Services Act) contributions primarily for nonresidential mandated services
- \$658,227 in carry-forward requests from the previous fiscal year for ongoing projects
- \$240,000 in an interoperability grant for the Fire & EMS department
- \$92,636 in donations for the Animal Shelter, mainly for the Emergency Vet program
- \$47,546 in pass-through grant funds for the Montpelier Capital Project
- \$43,604 in Law Enforcement Grants
- \$27,772 in donations for Sheriff's programs
- \$25,357 in a Pet Smart grant for the Animal Shelter

Capital Assets

The County of Orange's investment in capital assets for its governmental and business-type activities as of June 30, 2011, amounts to \$97,158,397 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and systems, improvements, machinery and equipment, harbor, and park facilities.

Orange County, VA Primary Government Change in Capital Assets

	Restated Balance June 30, 2010	Net Increase/ (Decrease)	Balance June 30, 2011
Governmental Activities:			
Non-Depreciable Assets:			
Land	\$ 1,237,321	\$ (4,979)	\$ 1,232,342
Construction in Progress	662,619	(69,374)	593,245
School CIP Allocated to County	32,745,373	6,777,176	39,522,549
Other Capital Assets:			
Buildings & Other Improvements	17,582,983	327,158	17,910,141
School Buildings & Improvements	33,509,506	(2,440,614)	31,068,892
Furniture and Other Equipment	8,903,226	(832,293)	8,070,933
Less: Accumulated Depreciation	(11,868,878)	(1,020,581)	(12,889,459)
Business-type Activities:			
Non-Depreciable Assets:			
Land	963,289	365,682	1,328,971
Construction in Progress	1,139,282	1,046,553	2,185,835
Other Capital Assets:			
Buildings & Improvements	8,957,045	(9,284)	8,947,761
Furniture and Other Equipment	1,186,845	(118,456)	1,068,389
Less: Accumulated Depreciation	(1,840,181)	(41,021)	(1,881,202)
Net Capital Assets	<u>\$ 93,178,430</u>	<u>\$ 3,979,967</u>	<u>\$ 97,158,397</u>

School Board capital assets are jointly owned by the County (Primary Government) and the Component Unit School Board for as long as the County owes general obligation debt on such assets. The County reports depreciation on these assets as an element of its share of the costs of the public school system. Readers desiring more detailed information on capital asset activity should refer to Note 7 on pages 36-38 in the notes to the financial statements.

Long-Term Debt

The Constitution of Virginia, Article VII, Section 10, and the Public Finance Act provide the authority for a County to issue General Obligation (GO) Debt with no limit on the amount of GO Debt that a County may issue. The County operates a debt service fund for debt associated with the county and its school system. Debt for an Assisted Living Facility is also included, however, that facility make lease payments to the County equal to the debt service each year. Funding for the repayment of county and school debt comes directly from the County's General Fund.

The County occasionally uses lease-purchase financing (capital leases) to acquire large equipment items as approved in the annual operating budget process. The County currently has one such lease outstanding which was for the purchase of two fire trucks in 2008 for a ten year term at 3.57% interest.

All debt secured by the general obligation of the County must be approved by the Board of Supervisors and a public referendum, with the exception of Virginia Public School Authority (VPSA) Bonds and State Literary Fund Loans which do not need approval by referendum.

The Primary Government's outstanding debt at June 30, 2011 is as follows:

General Obligation Bonds	
Series 2001	\$ 16,890,000
Series 2003	499,400
Series 2005	814,912
School Bond Series 2005D	10,623,020
General Obligation Bond Premiums	3,037,143
Virginia Public School Authority Bonds (VPSA)	
Series 1993 A	305,000
Series 1994 A	145,000
Series 1995 A	125,000
Series 2000 B	1,415,000
Series 2002	1,135,000
Series 2007 B	4,425,000
Series 2009 B	29,020,000
Lease Revenue Bonds	
Series 2007	29,535,000
Series 2007 Discount	(625,066)
Series 2007 Deferred Amount	(366,672)
Capital Leases	1,205,537
Landfill closure and post-closure care liability	3,920,000
Net OPEB Obligation	484,000
Compensated Absences	807,119
Grand Total	<u>\$ 103,394,393</u>

Additional information on the County's long-term debt can be found in Note 8 on pages 39-41 of this report.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. Questions concerning this report or requests for additional information should be directed to Glenda Bradley, Director of Finance. P.O. Box 111, Orange, VA 22960, telephone 540-661-5406, e-mail gbradley@orangecountyva.gov, or visit the County's web site at <http://orangecountyva.gov/>.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

COUNTY OF ORANGE, VIRGINIA

STATEMENT OF NET ASSETS

June 30, 2011

	Primary Government			Discretely Presented Component Units	
	Governmental Activities	Business-Type Activities	Total	School Board	EDA
ASSETS					
Cash and cash equivalents	\$ 9,875,180	\$ 6,390,698	\$ 16,265,878	\$ 3,857,674	\$ 1,258,250
Investments	10,931,741	-	10,931,741	-	-
Receivables, net:					
Taxes receivable	1,560,693	-	1,560,693	-	-
Accounts receivable	981,911	37,620	1,019,531	32,323	-
Due from other governments	1,034,105	440,064	1,474,169	1,973,219	-
Inventories	-	45,640	45,640	-	-
Note receivable	20,205,000	-	20,205,000	-	-
Restricted assets:					
Cash and cash equivalents	3,723,693	-	3,723,693	-	-
Other assets:					
Unamortized bond issue costs	695,782	-	695,782	-	-
Capital assets:					
Nondepreciable	41,348,136	3,514,806	44,862,942	884,888	129,172
Depreciable, net	44,160,507	8,134,948	52,295,455	26,613,392	-
Total assets	134,516,748	18,563,776	153,080,524	33,361,496	1,387,422
LIABILITIES					
Accounts payable	2,032,196	262,193	2,294,389	1,467,910	1,008
Accrued liabilities	85,359	15,447	100,806	3,608,204	-
Accrued interest payable	2,039,232	-	2,039,232	-	-
Unearned revenue	391,264	-	391,264	-	-
Long-term liabilities:					
Due within one year	6,083,925	21,055	6,104,980	282,712	-
Due in more than one year	93,340,393	3,949,020	97,289,413	2,482,279	-
Total liabilities	103,972,369	4,247,715	108,220,084	7,841,105	1,008
NET ASSETS					
Invested in capital assets, net of related debt	11,254,062	11,649,754	22,903,816	27,498,280	129,172
Unrestricted (deficit)	19,290,317	2,666,307	21,956,624	(1,977,889)	1,257,242
Total net assets	\$ 30,544,379	\$ 14,316,061	\$ 44,860,440	\$ 25,520,391	\$ 1,386,414

COUNTY OF ORANGE, VIRGINIA

STATEMENT OF ACTIVITIES
Year Ended June 30, 2011

Program Revenues					Net (Expense) Revenue and Changes in Net Assets				
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Discretely Presented Component Units	
					Governmental Activities	Business-Type Activities	Total	School Board	EDA
Primary Government:									
Governmental activities:									
General government	\$ 3,568,522	\$ 1,771,477	\$ 233,361	\$ -	\$ (1,563,684)		\$ (1,563,684)	\$ -	\$ -
Judicial administration	1,496,249	340,045	477,712	-	(678,492)		(678,492)	-	-
Public safety	9,755,361	1,317,980	1,808,639	-	(6,628,742)		(6,628,742)	-	-
Public works	642,287	-	-	-	(642,287)		(642,287)	-	-
Health and welfare	6,471,864	-	3,385,901	-	(3,085,963)		(3,085,963)	-	-
Education	19,494,387	271,022	-	-	(19,223,365)		(19,223,365)	-	-
Parks, recreation, and cultural	1,074,565	134,921	138,297	47,546	(753,801)		(753,801)	-	-
Community development	1,013,298	-	-	-	(1,013,298)		(1,013,298)	-	-
Interest on long-term debt	4,388,109	-	1,350,021	-	(3,038,088)		(3,038,088)	-	-
Total governmental activities	47,904,642	3,835,445	7,393,931	47,546	(36,627,720)		(36,627,720)	-	-
Business-type activities									
Airport	840,425	417,480	3,192	1,144,325		\$ 724,572	724,572	-	-
Landfill	3,347,359	309,195	8,376	-		(3,029,788)	(3,029,788)	-	-
Total business-type activities	4,187,784	726,675	11,568	1,144,325		(2,305,216)	(2,305,216)	-	-
Total primary government	\$ 52,092,426	\$ 4,562,120	\$ 7,405,499	\$ 1,191,871	(36,627,720)	(2,305,216)	(38,932,936)	-	-
Component Unit:									
School Board	\$ 44,879,378	\$ 1,063,327	\$ 26,893,591	\$ -				\$ (16,922,460)	\$ -
Economic Development Authority	44,711	-	-	-				-	(44,711)
Total component units	\$ 44,924,089	\$ 1,063,327	\$ 26,893,591	\$ -				\$ (16,922,460)	\$ (44,711)
General revenues:									
General property taxes					32,155,490	-	32,155,490	-	-
Other local taxes:									
Local sales and use					1,740,887	-	1,740,887	-	-
Consumer's utility tax					2,086,617	-	2,086,617	-	-
Consumption taxes					101,613	-	101,613	-	-
Motor vehicle license taxes					652,932	-	652,932	-	-
Taxes on recordation and wills					381,132	-	381,132	-	-
Restaurant food taxes					577,864	-	577,864	-	-
Other taxes					152,660	-	152,660	-	-
Unrestricted revenues from use of money and property					354,819	-	354,819	15,709	3,424
Miscellaneous					491,702	48,104	539,806	306,025	-
Payments from County					-	-	-	18,790,876	101,800
Grants and contributions not restricted to specific programs					2,945,313	-	2,945,313	-	-
Transfers					(3,890,516)	3,890,516	-	-	-
Total general revenues and transfers					37,750,513	3,938,620	41,689,133	19,112,610	105,224
Change in net assets					1,122,793	1,633,404	2,756,197	2,190,150	60,513
NET ASSETS AT JULY 1, as restated (Note 15)					29,421,586	12,682,657	42,104,243	23,330,241	1,325,901
NET ASSETS AT JUNE 30					\$ 30,544,379	\$ 14,316,061	\$ 44,860,440	\$ 25,520,391	\$ 1,386,414

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FUND
FINANCIAL STATEMENTS

COUNTY OF ORANGE, VIRGINIA

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

	General	Virginia Public Assistance	Debt Service	County Capital Projects	School Capital Projects	Other Governmental Funds	Total
ASSETS							
Cash and cash equivalents	\$ 7,382,950	\$ -	\$ -	\$ 1,941,067	\$ 490,790	\$ 60,373	\$ 9,875,180
Investments	10,931,741	-	-	-	-	-	10,931,741
Receivables, net:							
Taxes receivable	1,560,693	-	-	-	-	-	1,560,693
Accounts receivable	981,391	-	-	-	-	520	981,911
Due from other governments	863,831	170,274	-	-	-	-	1,034,105
Due from other funds	121,994	-	-	-	-	-	121,994
Note receivable	20,205,000	-	-	-	-	-	20,205,000
Restricted assets:							
Cash and cash equivalents	-	-	-	-	3,723,693	-	3,723,693
Total assets	<u>\$ 42,047,600</u>	<u>\$ 170,274</u>	<u>\$ -</u>	<u>\$ 1,941,067</u>	<u>\$ 4,214,483</u>	<u>\$ 60,893</u>	<u>\$ 48,434,317</u>
LIABILITIES							
Accounts payable	\$ 727,423	\$ -	\$ -	\$ 48,582	\$ 1,336,576	\$ 4,974	\$ 2,117,555
Due to other funds	-	14,984	107,010	-	-	-	121,994
Deferred revenue	21,730,298	-	-	-	-	-	21,730,298
Total liabilities	<u>22,457,721</u>	<u>14,984</u>	<u>107,010</u>	<u>48,582</u>	<u>1,336,576</u>	<u>4,974</u>	<u>23,969,847</u>
FUND BALANCES							
Restricted	-	-	-	-	2,387,117	-	2,387,117
Committed	-	155,290	-	-	-	55,919	211,209
Assigned	2,488,194	-	-	1,892,485	490,790	-	4,871,469
Unassigned	17,101,685	-	(107,010)	-	-	-	16,994,675
Total fund balances	<u>19,589,879</u>	<u>155,290</u>	<u>(107,010)</u>	<u>1,892,485</u>	<u>2,877,907</u>	<u>55,919</u>	<u>24,464,470</u>
Total liabilities and fund balances	<u>\$ 42,047,600</u>	<u>\$ 170,274</u>	<u>\$ -</u>	<u>\$ 1,941,067</u>	<u>\$ 4,214,483</u>	<u>\$ 60,893</u>	<u>\$ 48,434,317</u>

The Notes to Financial Statements are
an integral part of this statement.

COUNTY OF ORANGE, VIRGINIA

**RECONCILIATION TO THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
June 30, 2011**

Total fund balances per Exhibit 3 – Balance Sheet – Governmental Funds \$ 24,464,470

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 85,508,643

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 21,339,034

Debt issuance costs, net of amortization are reported as expenditures in the governmental funds, but are amortized over the life of the debt in the statement on net assets. 695,782

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds payable	(96,977,737)
Accrued interest payable	(2,039,232)
Capital leases payable	(1,205,537)
Other post-employment benefits	(462,000)
Compensated absences	(779,044)
	(96,977,737)

Net assets of governmental activities	\$ 30,544,379
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COUNTY OF ORANGE, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2011

	General	Virginia Public Assistance	Debt Service	County Capital Projects	School Capital Projects	Other Governmental Funds	Total
REVENUES							
General property taxes	\$ 32,506,482	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32,506,482
Other local taxes	5,693,705	-	-	-	-	-	5,693,705
Permits, privilege fees, and regulatory licenses	225,857	-	-	-	-	-	225,857
Fines and forfeitures	50,182	-	-	-	-	-	50,182
Revenue from the use of money and property	334,498	-	-	-	18,889	1,432	354,819
Charges for services	1,779,992	-	-	-	-	7,938	1,787,930
Miscellaneous	447,364	147	-	38,191	6,000	-	491,702
Recovered costs	2,266,476	-	-	-	-	-	2,266,476
Intergovernmental revenues:							
Commonwealth	6,763,057	872,006	1,350,021	-	-	3,853	8,988,937
Federal	84,041	1,313,812	-	-	-	-	1,397,853
Total revenues	50,151,654	2,185,965	1,350,021	38,191	24,889	13,223	53,763,943
EXPENDITURES							
Current:							
General government	2,717,558	-	-	-	-	-	2,717,558
Judicial administration	1,399,981	-	-	-	-	2,826	1,402,807
Public safety	9,233,856	-	-	-	-	7,437	9,241,293
Public works	749,891	-	-	-	-	-	749,891
Health and welfare	3,222,511	2,844,104	-	-	-	-	6,066,615
Education	16,060,517	-	-	170,243	126,591	-	16,357,351
Parks, recreation, and cultural	1,010,633	-	-	-	-	-	1,010,633
Community Development	947,721	-	-	-	-	-	947,721
Nondepartmental	79,648	-	-	-	-	-	79,648
Capital projects	-	-	-	569,930	7,072,735	-	7,642,665
Debt service:							
Principal retirement	-	-	5,612,231	-	-	-	5,612,231
Interest and other fiscal charges	-	-	4,738,377	-	-	-	4,738,377
Total expenditures	35,422,316	2,844,104	10,350,608	740,173	7,199,326	10,263	56,566,790
Excess (deficiency) of revenues over expenditures	14,729,338	(658,139)	(9,000,587)	(701,982)	(7,174,437)	2,960	(2,802,847)
OTHER FINANCING SOURCES (USES)							
Transfers in	294,987	378,495	8,404,265	78,569	-	-	9,156,316
Transfers out	(12,751,845)	-	-	(294,987)	-	-	(13,046,832)
Total other financing sources (uses)	(12,456,858)	378,495	8,404,265	(216,418)	-	-	(3,890,516)
Net change in fund balance	2,272,480	(279,644)	(596,322)	(918,400)	(7,174,437)	2,960	(6,693,363)
FUND BALANCES AT JULY 1, AS RESTATED (Note 15)	17,317,399	434,934	489,312	2,810,885	10,052,344	52,959	31,157,833
FUND BALANCES AT JUNE 30	<u>\$ 19,589,879</u>	<u>\$ 155,290</u>	<u>\$ (107,010)</u>	<u>\$ 1,892,485</u>	<u>\$ 2,877,907</u>	<u>\$ 55,919</u>	<u>\$ 24,464,470</u>

COUNTY OF ORANGE, VIRGINIA

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2011**

Net change in fund balances per Exhibit 5 – total government funds **\$ (6,693,363)**

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

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.

Capital outlay	7,280,456
Depreciation expense	(1,995,007)
Allocation of debt financed school assets based on current year repayments and drawdowns of bond proceeds	(2,440,614)
	2,844,835

The net effect of various transactions involving capital assets (i.e. sales, trade-ins, dispositions, and insurance proceeds is to decrease net assets).	(108,342)
--	-----------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(845,992)
--	-----------

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Principal repayments:

General obligation debt	4,434,744
Lease revenue bonds	725,000
Capital lease	452,487
Amortization of bond discount	(45,870)
Amortization of deferred amount on refunding	(26,923)
Amortization of bond issuance costs	(31,659)
Amortization of bond premium	339,884
	5,847,663

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.

Compensated absences	114,782
Other post-employment benefits	(151,627)
Accrued interest	114,837
	77,992

Changes in net assets of governmental activities **\$ 1,122,793**

COUNTY OF ORANGE, VIRGINIA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

June 30, 2011

	Business-Type Activities Enterprise Funds		
	Airport Fund	Landfill Fund	Total
ASSETS			
Current assets:			
Cash and investments	\$ 237,362	\$ 6,153,336	\$ 6,390,698
Receivables, net	1,069	36,551	37,620
Due from other governments	440,064	-	440,064
Inventories	45,640	-	45,640
Total current assets	724,135	6,189,887	6,914,022
Noncurrent assets:			
Capital assets:			
Nondepreciable capital assets	3,222,059	292,747	3,514,806
Depreciable capital assets, net	7,939,076	195,872	8,134,948
Total noncurrent assets	11,161,135	488,619	11,649,754
Total assets	11,885,270	6,678,506	18,563,776
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	63,905	213,735	277,640
Current portion of long-term obligations	1,775	19,280	21,055
Total current liabilities	65,680	233,015	298,695
Noncurrent liabilities:			
Other post-employment benefits	3,000	19,000	22,000
Noncurrent portion of long-term obligations	594	3,926,426	3,927,020
Total noncurrent liabilities	3,594	3,945,426	3,949,020
Total liabilities	69,274	4,178,441	4,247,715
NET ASSETS			
Invested in capital assets	11,161,135	488,619	11,649,754
Unrestricted	654,861	2,011,446	2,666,307
Total net assets	\$ 11,815,996	\$ 2,500,065	\$ 14,316,061

COUNTY OF ORANGE, VIRGINIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2011

	Business-Type Activities		
	Enterprise Funds		
	Airport Fund	Landfill Fund	Totals
OPERATING REVENUES			
Charges for services	\$ 417,480	\$ 309,195	\$ 726,675
Miscellaneous	12	48,092	48,104
Total operating revenues	417,492	357,287	774,779
OPERATING EXPENSES			
Personnel services	96,250	573,398	669,648
Fringe benefits	24,415	153,330	177,745
Contractual services	27,878	887,758	915,636
Other charges	372,977	1,679,300	2,052,277
Depreciation	312,615	46,155	358,770
Total operating expenses	834,135	3,339,941	4,174,076
Operating loss	(416,643)	(2,982,654)	(3,399,297)
NON-OPERATING REVENUES (EXPENSES)			
Commonwealth grants	3,192	8,376	11,568
Loss on sale of capital assets	(6,290)	(7,418)	(13,708)
Total non-operating revenues (expenses)	(3,098)	958	(2,140)
Loss before contributions and transfers	(419,741)	(2,981,696)	(3,401,437)
CAPITAL CONTRIBUTIONS	1,144,325	-	1,144,325
TRANSFERS IN	303,301	3,587,215	3,890,516
Change in net assets	1,027,885	605,519	1,633,404
NET ASSETS AT JULY 1 , as restated (Note 15)	10,788,111	1,894,546	12,682,657
NET ASSETS AT JUNE 30	\$ 11,815,996	\$ 2,500,065	\$ 14,316,061

COUNTY OF ORANGE, VIRGINIA

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS

Year Ended June 30, 2011

	Business-Type Activities – Enterprise Funds		
	Airport Fund	Landfill Fund	Total
OPERATING ACTIVITIES			
Receipts from customers	\$ 416,411	\$ 304,353	720,764
Payments to suppliers	(631,404)	(1,323,019)	(1,954,423)
Payments to employees	(118,212)	(724,970)	(843,182)
Other receipts	12	48,092	48,104
Net cash used in operating activities	(333,193)	(1,695,544)	(2,028,737)
NONCAPITAL FINANCING ACTIVITIES			
Noncapital grant	3,192	8,376	11,568
Transfers from other funds	303,301	3,587,215	3,890,516
Net cash provided by noncapital financing activities	306,493	3,595,591	3,902,084
CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital contributions and construction grants	1,002,813	-	1,002,813
Purchases of capital assets	(1,359,198)	(256,754)	(1,615,952)
Net cash used in capital and related financing activities	(356,385)	(256,754)	(613,139)
Net increase (decrease) in cash and cash equivalents	(383,085)	1,643,293	1,260,208
CASH AND CASH EQUIVALENTS			
Beginning at July 1	620,447	4,510,043	5,130,490
Ending at June 30	<u>\$ 237,362</u>	<u>\$ 6,153,336</u>	<u>\$ 6,390,698</u>

(Continued)

COUNTY OF ORANGE, VIRGINIA

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
Year Ended June 30, 2011

	Business-Type Activities – Enterprise Funds		
	<u>Airport Fund</u>	<u>Landfill Fund</u>	<u>Total</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES			
Operating loss	\$ (416,643)	\$ (2,982,654)	\$ (3,399,297)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	312,615	46,155	358,770
Change in assets and liabilities:			
(Increase) decrease in:			
Receivables, net	(1,069)	(4,842)	(5,911)
Inventories	(22,309)	-	(22,309)
(Decrease) increase in:			
Accounts payable and accrued liabilities	(208,240)	26,968	(181,272)
Landfill closure and postclosure care	-	1,217,071	1,217,071
Compensated absences	1,245	(4,697)	(3,452)
Other post-employment benefits	1,208	6,455	7,663
Net cash used in operating activities	<u>\$ (333,193)</u>	<u>\$ (1,695,544)</u>	<u>\$ (2,028,737)</u>

COUNTY OF ORANGE, VIRGINIA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2011

	Talley Memorial Private- Purpose Trust	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 15,000	\$ 342,472
Accounts receivable	-	1,424
	<hr/>	<hr/>
Total assets	15,000	343,896
	<hr/>	<hr/>
LIABILITIES		
Amounts held for social services clients	-	61,504
Amounts held for Rapidan Hills Limited Partnership	-	7,763
Amounts held for others	-	274,629
	<hr/>	<hr/>
Total liabilities	-	343,896
	<hr/>	<hr/>
NET ASSETS		
Restricted – held in trust for library needs	\$ 15,000	\$ -
	<hr/> <hr/>	<hr/> <hr/>

COUNTY OF ORANGE, VIRGINIA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Year Ended June 30, 2011

	Talley Memorial Private- Purpose Trust
Net assets – beginning	<u>\$ 15,000</u>
Net assets – ending	<u><u>\$ 15,000</u></u>

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The County of Orange, Virginia (the “County”) is a municipal corporation governed by an elected five-member Board of Supervisors. The accompanying financial statements present the County and its component units, entities for which the County is considered to be financially accountable. The County has taxing powers subject to statewide restrictions and tax limits, and provides a full range of services to its citizens including law enforcement, fire, social services, public improvements, planning and zoning, education, sanitation, and airport services. The County is the primary government of the reporting entity.

Discretely Presented Component Units – The component unit columns in the financial statements include the financial data of the County’s discretely presented component units. They are reported in a separate column to emphasize that they are legally separate from the County.

The Orange County School Board operates the elementary and secondary public schools in the County. School Board members are popularly elected. The School Board is fiscally dependent upon the County because the County approves all debt issuances of the School Board and provides significant funding to operate the public schools since the School Board does not have separate taxing powers. The Orange County School Board does not prepare separate financial statements.

The Orange County Economic Development Authority is included as a component unit because the EDA’s primary use of funds is to provide for economic development of the County, thereby benefiting the County. The County appoints all members of the EDA’s Board of Directors. The County may significantly influence the fiscal affairs of the EDA and, accordingly, is included in the County’s financial statements. The EDA does not prepare separate financial statements.

Related Organizations – The County’s officials are also responsible for appointing the members of the boards of other organizations, but the County’s accountability for these organizations does not extend beyond making the appointment. The Board of Supervisors appoints the board members of the Orange County Airport Commission.

Jointly Governed Organizations – The County, in conjunction with other localities, has created the Central Virginia Regional Jail, the Rappahannock-Rapidan Planning District Commission and the Rappahannock-Rapidan Community Services Board. The governing bodies of these organizations are appointed by the respective governing bodies of the participating jurisdictions.

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 1. Summary of Significant Accounting Policies (Continued)

B. Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all non-fiduciary activities of the primary government and its component units. 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 support. Likewise, the primary government is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of net assets presents both governmental and business-type activities on the accrual basis of accounting, which incorporates long-term assets and receivables, as well as long-term debt and obligations.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments 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 of *general revenues*.

Fund Financial Statements

These statements are organized based on funds, each of which is considered a separate accounting entity. The emphasis is on major governmental and enterprise funds. The operation of each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances/net assets, revenues and expenditures/expenses, as appropriate.

The County reports the following major governmental funds:

The *general fund* is the primary operating fund of the County and accounts for all revenues and expenditures applicable to the general operations not accounted for in other funds. Revenues are derived primarily from property and other local taxes, licenses, permits, charges for services, use of money and property, and intergovernmental grants.

Special revenue funds account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. The major special revenue fund is the Virginia Public Assistance Fund, which accounts for the operation of various programs under the Orange County Department of Social Services.

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 1. Summary of Significant Accounting Policies (Continued)

Fund Financial Statements (Continued)

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt.

Capital project funds account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds. Major capital project funds consist of the following:

The *county capital projects fund* accounts for the renovation and improvements made to County buildings. Financing is provided by debt issuance and general fund revenues.

The *school capital projects fund* accounts for renovations, construction, and improvements made to school facilities. Financing is provided by debt issuance.

The County reports the following major proprietary funds:

The *airport fund* is an enterprise fund used to account for the activities of the Orange County Airport. The cost of airport services is primarily financed through user charges.

The *landfill fund* is an enterprise fund used to account for waste disposal operations of the County's landfill. The cost of waste disposal services is primarily financed through user charges to the County, residents and commercial customers.

Enterprise 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 the fund's principal ongoing operations. The principal operating revenues of the County's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise 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 non-operating revenues and expenses.

Additionally, the government reports the following fund types:

The *nonmajor special revenue* funds account for proceeds of specific revenue sources restricted for expenditures for specified purposes. The government reports the Asset Forfeiture Fund and Law Library Fund as nonmajor special revenue funds.

Fiduciary funds account for assets held by the government in a trustee capacity or as agent or custodian for individuals, private organizations, other governmental units, or other funds. Agency funds include the Special Welfare, Rapidan Hills Limited Partnership, Commonwealth, and Bond Escrow Agency funds. The Talley Memorial private purpose trust fund is used to account for resources legally held in trust for use by the library at Locust Grove Elementary School to purchase items for student use. All resources of the fund may be used to help support the library.

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 1. Summary of Significant Accounting Policies (Continued)

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the 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.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the current period. General fund tax revenues are considered measurable when they have been levied and available if collected within 60 days of year end. Grant revenues are considered measurable when the legal and contractual requirements have been met. All other revenue items are considered measurable and available when cash is received. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service, compensated absences, other post-employment benefit expenditures, as well as expenditures related to claims and judgments are recorded only when payment is due.

As a result of the different measurement focus and basis of accounting used in preparing the government-wide statements versus the governmental fund financial statements, a reconciliation between the government-wide and fund financial statements are necessary. The reconciliations are presented as exhibits in the governmental fund financial statements. As part of the reconciliation process, non-departmental indirect expenditures are allocated to functional expenses based on a percent of functional expenditures.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

D. Assets, Liabilities, and Net Assets or Equity

Deposits and Investments

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Interfund Receivables and Payables

Outstanding balances between funds are reported as due to/from other funds. Any residual balances outstanding between the governmental and business-type activities are reported in the government-wide statements as internal balances. Outstanding balances between the County and the component units are reported as due to/from component unit or due to/from primary government.

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

Inventories

Inventories are valued using the first-in, first-out method. Inventories in the Airport Fund consist of fuel.

Taxes Receivable

Property is assessed at its estimated fair value and property taxes attach as an enforceable lien as of January 1. Real estate taxes are payable in two installments on June 5th and December 5th. Personal property taxes are payable on December 5th. The County bills and collects its own property taxes.

Note Receivable

During 2007, the County issued a lease revenue and refunding bond to finance construction at the County courthouse and renovations at a privately owned nursing in the County which serves the community's needs. The County agreed to finance the nursing home renovations as part of their bond issuance and is obligated to repay the funds to the bondholders. In relation to the agreement, a note was signed with the nursing home which requires the nursing home to reimburse the County principal and interest outstanding under the bond obligation as it becomes due. The County additionally required the nursing home to set up an escrow account and maintain a minimum of two years worth of debt service payments in the account. The County has not recorded this account as it does not become property of the County until a default on the note receivable occurs. The receivable has been deferred in the governmental funds as the amounts are not considered available. The amounts due under the note receivable are due in the following installments:

Year Ended	Governmental Activities	
	Note	
	Receivable	
	Principal	Interest
2012	\$ 520,000	\$ 905,706
2013	540,000	883,181
2014	565,000	859,700
2015	585,000	834,531
2016	610,000	806,118
2017-2021	3,525,000	3,567,708
2022-2026	4,395,000	2,662,387
2027-2031	5,520,000	1,531,756
2032-2034	3,945,000	271,239
	<u>\$ 20,205,000</u>	<u>\$ 12,322,326</u>

(Continued)

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

Restricted Assets

Unspent bond proceeds are classified as restricted assets because their use is limited by bond covenants.

Capital Assets

Capital assets, which include property, buildings, and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County and School Board as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The County changed their capitalization threshold from \$2,500 in the current year.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the year.

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Buildings	50 years
Building improvements	50 years
Furniture, equipment and vehicles	5-10 years

Unearned and Deferred Revenue

In the statement of net assets, unearned revenue arises when assets are received before revenue recognition criteria is satisfied and primarily consists of property taxes collected that are not yet due.

In the balance sheet of the governmental funds, deferred revenue arises when assets are recognized but are not available to finance expenditures of the current fiscal period or when assets are received before revenue recognition criteria is satisfied. Deferred revenue primarily consists of property taxes, EMS billings, a long-term note receivable, and other items not collected within the availability period.

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

Compensated Absences

The County and School Board have policies to allow the accumulation and vesting of limited amounts of paid leave and sick leave until termination or retirement. Amounts of such absences are accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds when the amounts are due for payment.

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the period incurred. The face amount of debt issued is reported as other financing sources. Premiums received on debt 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.

Fund Equity

Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources in the governmental funds.

The classifications are as follows:

- **Nonspendable** – Amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.
- **Restricted** – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

Fund Equity (Continued)

Fund Balances (Continued)

- **Committed** – Amounts constrained to specific purposes by the County, using its highest level of decision making authority; to be reported as committed, amounts cannot be used for any other purposes unless the same highest level of action is taken to remove or change the constraint.
- **Assigned** – Amounts the County intends to use for a specified purpose; intent can be expressed by the governing body or by management which has been designated this authority by the governing body.
- **Unassigned** – Amounts that are available for any purpose; positive amounts are reported only in the general fund.

Restricted Amounts

The County applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Minimum Fund Balance Policy

Within its General Fund balance, the County will maintain a fiscal stability reserve amount for cash liquidity purposes. That balance will be sufficient to meet the County's cyclical cash flow requirements and avoid the need for short term tax anticipation borrowing. The fiscal stability reserve shall have a balance that is not less than 15 percent of the combined budgeted expenditures of the County General Fund and the School Board Operating Fund, net of the County's local share contribution to the School Board. Should the reserve fall below the 15 percent targeted level, the Board must approve and adopt a plan to restore this balance to the target level within 24 months, unless that timeframe would cause severe hardship to the County.

In addition, the Board, in an emergency or during periods of economic uncertainty or budget adversity, may retain an additional reserve balance above the Fiscal Stability Reserve. Such additional reserve shall not exceed 3 percent of the combined budgeted expenditures of the General Fund and the School Board Operating Fund, net of the County's contribution to the School Board.

Other governmental funds of the County do not have specified fund balance targets. Recommended levels of committed and/or assigned fund balance will be determined on a case by case basis, based on the needs of each fund and as recommended by officials and approved by the Board.

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

Fund Equity (Continued)

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is employed as an extension of formal budgetary integration in the governmental funds. There were no significant encumbrances as of June 30, 2011.

Net Assets

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

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. Actual results could differ from those estimates.

Note 2. Stewardship, Compliance, and Accountability

Budgetary Information

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

1. Prior to April 1, the County Administrator submits to the Board of Supervisors 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. The following Funds have legally adopted budgets: General Fund, Virginia Public Assistance Fund, Law Library Fund, Forfeited Assets Fund, School Operating Fund, School Textbook Adoption Fund, and School Adult Education Fund.
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 department or category level. The appropriation for each department can be revised by the Board of Supervisors only.

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 2. Stewardship, Compliance, and Accountability (Continued)

Budgetary Information (Continued)

5. Formal budgetary integration is employed as a management control device during the year for the General Fund, and Special Revenue Funds (except the School Fund). The School Funds are integrated only at the level of legal adoption.
6. All budgets are adopted on a basis consistent with U.S. generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30. Several supplemental appropriations were necessary during this fiscal year.
8. Budget data presented in the accompanying financial statements includes the original adopted budget and the revised budget as of June 30.

Note 3. 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 and certain corporate notes, banker's acceptances, repurchase agreements, the State Treasurer's Local Government Investment Pool (LGIP), and State Non-Arbitrage Program (SNAP).

External Investment Pools:

The SNAP is an open-end management investment company registered with the Securities and Exchange Commission (SEC). The fair value of the positions in the LGIP is the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7.

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 3. Deposits and Investments (Continued)

Custodial credit risk:

Custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County's policy on repurchase agreements states that third party safekeeping is not required for agreements of five days or less.

Credit risk:

Although the County does not have a formal policy addressing credit risk, the County adheres to the State guidelines. As required by the *Code of Virginia*, obligations of the Commonwealth of Virginia and its political subdivisions must have a debt rating of at least AA by Standard & Poor's (S&P) or Aa by Moody's Investors Service (Moody's). Repurchase agreements are collateralized by Treasury or Agency obligations of which the market value is at least 102% of the purchase price of the agreement. Commercial paper must be issued by an entity incorporated in the U.S. and rated at least A-1 by S&P or P-1 by Moody's. Corporate notes and bonds have a rating of at least AA by S&P or As by Moody's. Money market mutual funds must trade on a constant net asset value and invest solely in securities otherwise eligible for investment under these guidelines.

	S&P Ratings	
	AAA	AA
Corporate debt	\$ 988,126	\$ 411,697
U.S. agencies	7,569,590	2,042,097
LGIP	4,515,040	-
SNAP	3,861,172	-
Money market mutual fund	313,086	-
	<u>\$ 17,247,014</u>	<u>\$ 2,453,794</u>

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 3. Deposits and Investments (Continued)

Interest rate risk:

The County does not have policies related to interest rate risk. At June 30, the fair value and maturities of investments are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>1-5 Years</u>
Money market mutual funds	\$ 313,086	\$ 313,086	\$ -
SNAP	3,861,172	3,861,172	-
LGIP	4,515,040	4,515,040	-
U.S. agencies	9,611,687	2,922,804	6,688,883
Corporate debt	1,399,823	922,275	477,548
	<u>\$ 19,700,808</u>	<u>\$ 12,534,377</u>	<u>\$ 7,166,431</u>

Restricted cash and cash equivalents consist of unused bond proceeds and related interest earnings. These funds will be used to fund the completion of a new middle school.

Note 4. Receivables

Receivables at year end are as follows:

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Airport Fund</u>	<u>Landfill Fund</u>	<u>Total Primary Government</u>	<u>Component Unit – School Board</u>
Receivables						
Taxes	\$ 1,786,372	\$ -	\$ -	\$ -	\$ 1,786,372	\$ -
Less: allowance for uncollectible accounts	(225,679)	-	-	-	(225,679)	-
Net taxes receivable	1,560,693	-	-	-	1,560,693	-
Accounts receivable	1,692,083	520	1,069	36,551	1,730,223	32,323
Less: allowance for uncollectible accounts	(710,692)	-	-	-	(710,692)	-
Net accounts receivable	981,391	520	1,069	36,551	1,019,531	32,323
Net total receivables	<u>\$ 2,542,084</u>	<u>\$ 520</u>	<u>\$ 1,069</u>	<u>\$ 36,551</u>	<u>\$ 2,580,224</u>	<u>\$ 32,323</u>

Taxes receivable represent the current and past four years of uncollected tax levies for personal property taxes and the current and past nineteen years for uncollected tax levies on real property. General fund accounts receivable is comprised of amounts due for EMS billings and other local revenues. The allowances for uncollectible accounts is based on historical collection rates aging of receivable balances, and specific account analysis.

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 5. Due From Other Governmental Units

Amounts due from other governments consist of the following:

	Primary Government	Component Unit – School Board
Commonwealth of Virginia:		
State sales taxes	\$ -	\$ 744,446
Local sales taxes	317,533	-
Communication taxes	19,177	-
Public assistance and welfare administration	68,253	-
Comprehensive youth service	316,587	-
Aviation grant	118,934	-
Sheriff	93,720	-
Commonwealth's Attorney	18,252	-
Clerk of Circuit Court	21,620	-
Treasurer	9,830	-
Commissioner of Revenue	9,266	-
Other	57,846	-
Federal Government:		
Education grants	-	1,228,773
Aviation grant	321,130	-
Public assistance	102,021	-
	<u>\$ 1,474,169</u>	<u>\$ 1,973,219</u>

Note 6. Interfund Transfers

Interfund transfers consisted of the following:

	Transfers In	Transfers Out
Governmental Funds:		
General Fund	\$ 294,987	\$ 12,751,845
Virginia Public Assistance Fund	378,495	-
Debt Service Fund	8,404,265	-
County Capital Projects Fund	78,569	294,987
Proprietary Funds:		
Airport Fund	303,301	-
Landfill Fund	3,587,215	-
	<u>\$ 13,046,832</u>	<u>\$ 13,046,832</u>
Component Unit – School Board:		
School Operating Fund	\$ -	\$ 385,305
School Textbook Adoptions Fund	385,305	-
	<u>\$ 385,305</u>	<u>\$ 385,305</u>

(Continued)

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 6. Interfund Transfers (Continued)

Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget required to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds.

Note 7. Capital Assets

Capital asset activity for the year consist of the following:

	Beginning Balance, as restated (Note 15)	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 1,237,321	\$ -	\$ (4,979)	\$ 1,232,342
Construction in progress	662,619	51,472	(120,846)	593,245
School construction in progress allocated to County	32,745,373	6,777,176	-	39,522,549
Total capital assets not being depreciated	34,645,343	6,828,648	(125,825)	41,348,136
Capital assets being depreciated:				
Buildings and improvements	17,582,983	349,001	(21,843)	17,910,141
School buildings and improvements	33,509,506	-	(2,440,614)	31,068,892
Furniture, equipment, and vehicles	8,903,226	223,653	(1,055,946)	8,070,933
Total capital assets being depreciated	59,995,745	572,654	(3,518,403)	57,049,966
Less accumulated depreciation for:				
Buildings and improvements	(3,061,294)	(402,847)	11,428	(3,452,713)
School buildings and improvements	(3,233,927)	(400,862)	-	(3,634,789)
Furniture, equipment, and vehicles	(5,573,657)	(1,191,298)	962,998	(5,801,957)
Total accumulated depreciation	(11,868,878)	(1,995,007)	974,426	(12,889,459)
Capital assets being depreciated, net	48,126,837	(1,422,353)	(2,543,977)	44,160,507
Net capital assets	<u>\$ 82,772,150</u>	<u>\$ 5,406,295</u>	<u>\$ (2,669,802)</u>	<u>\$ 85,508,643</u>

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 7. Capital Assets (Continued)

	Beginning Balance, as restated (Note 15)	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 963,289	\$ 366,529	\$ (847)	\$ 1,328,971
Construction in progress	1,139,282	1,046,553	-	2,185,835
Total capital assets not being depreciated	2,102,571	1,413,082	(847)	3,514,806
Capital assets being depreciated:				
Buildings and improvements	8,957,045	-	(9,284)	8,947,761
Furniture, equipment, and vehicles	1,186,845	202,868	(321,324)	1,068,389
Total capital assets being depreciated	10,143,890	202,868	(330,608)	10,016,150
Less accumulated depreciation for:				
Buildings and improvements	(887,008)	(259,029)	5,629	(1,140,408)
Furniture, equipment, and vehicles	(953,173)	(99,741)	312,120	(740,794)
Total accumulated depreciation	(1,840,181)	(358,770)	317,749	(1,881,202)
Capital assets being depreciated, net	8,303,709	(155,902)	(12,859)	8,134,948
Net capital assets	<u>\$ 10,406,280</u>	<u>\$ 1,257,180</u>	<u>\$ (13,706)</u>	<u>\$ 11,649,754</u>

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

	Governmental Activities	Business-Type Activities	Total Primary Government
General government administration	\$ 237,528	\$ -	\$ 237,528
Judicial administration	98,837	-	98,837
Public safety	647,222	-	647,222
Public works	43,042	-	43,042
Health and welfare	428,825	-	428,825
Education	400,862	-	400,862
Parks, recreation, and cultural	71,737	-	71,737
Community development	66,954	-	66,954
Airport	-	312,615	312,615
Landfill	-	46,155	46,155
Total depreciation expense – primary government	<u>\$ 1,995,007</u>	<u>\$ 358,770</u>	<u>\$ 2,353,777</u>

(Continued)

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 7. Capital Assets (Continued)

Discretely Presented Component Unit – School Board

Capital asset activity for the School Board for the year consist of the following:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 737,700	\$ -	\$ -	\$ 737,700
Construction in progress	-	147,188	-	147,188
Total capital assets not being depreciated	737,700	147,188	-	884,888
Capital assets being depreciated:				
Buildings and improvements	94,361,371	472,402	(8,988)	94,824,785
Allocated to County	(33,509,506)	-	2,440,614	(31,068,892)
Furniture, equipment, and vehicles	8,967,972	1,711,528	(141,158)	10,538,342
Total capital assets being depreciated	69,819,837	2,183,930	2,290,468	74,294,235
Less accumulated depreciation for:				
Buildings and improvements	(43,695,336)	(1,744,339)	4,498	(45,435,177)
Allocated to County	3,233,927	400,862	-	3,634,789
Furniture, equipment, and vehicles	(5,335,591)	(674,806)	129,942	(5,880,455)
Total accumulated depreciation	(45,797,000)	(2,018,283)	134,440	(47,680,843)
Capital assets being depreciated, net	24,022,837	165,647	2,424,908	26,613,392
Net capital assets	\$ 24,760,537	\$ 312,835	\$ 2,424,908	\$ 27,498,280

School Board depreciation expense for the year amounted to \$2,018,283.

Local governments in Virginia and their school boards hold a tenancy in common with respect to capital assets constructed with long-term debt. Accordingly, school capital assets for which debt is still outstanding are included in the capital assets of the County. As the debt is retired, a proportional amount of the assets are transferred to the Component Unit – School Board.

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 8. Long-Term Liabilities

Changes in long-term liabilities consist of the following:

	Beginning Balance, as restated (Note 15)	Increases	Decreases	Ending Balance	Due within One Year
Governmental Activities:					
General obligation bonds	\$ 69,832,076	\$ -	\$ 4,434,744	\$ 65,397,332	\$ 4,334,249
Premium on general obligation bonds	3,377,027	-	339,884	3,037,143	321,920
Total general obligation bonds	73,209,103	-	4,774,628	68,434,475	4,656,169
Lease revenue and refunding bonds payable	30,260,000	-	725,000	29,535,000	760,000
Discount on lease revenue and refunding bonds	(670,936)	-	(45,870)	(625,066)	(44,839)
Deferred amount on refunding	(393,595)	-	(26,923)	(366,672)	(26,325)
Total lease revenue and refunding bonds	29,195,469	-	652,207	28,543,262	688,836
Capital leases	1,658,024	-	452,487	1,205,537	154,637
Other post-employment benefits	310,373	151,627	-	462,000	-
Compensated absences	893,826	555,588	670,370	779,044	584,283
Total governmental activities	<u>\$ 105,266,795</u>	<u>\$ 707,215</u>	<u>\$ 6,549,692</u>	<u>\$ 99,424,318</u>	<u>\$ 6,083,925</u>
Business-Type Activities:					
Compensated absences	\$ 29,514	\$ 28,075	\$ 29,514	\$ 28,075	\$ 21,055
Other post-employment benefits	14,338	7,662	-	22,000	-
Landfill closure/post-closure liability	2,704,941	1,215,059	-	3,920,000	-
Total business-type activities	<u>\$ 2,748,793</u>	<u>\$ 1,250,796</u>	<u>\$ 29,514</u>	<u>\$ 3,970,075</u>	<u>\$ 21,055</u>

(Continued)

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 8. Long-Term Liabilities (Continued)

Discretely Presented Component Unit – School Board:

	Beginning Balance, as restated (Note 15)	Increases	Decreases	Ending Balance	Due within One Year
Governmental Activities:					
Compensated absences	\$ 1,362,991	\$ 282,712	\$ 282,712	\$ 1,362,991	\$ 282,712
Other post-employment benefits	885,123	516,877	-	1,402,000	-
Total long-term liabilities	<u>\$ 2,248,114</u>	<u>\$ 799,589</u>	<u>\$ 282,712</u>	<u>\$ 2,764,991</u>	<u>\$ 282,712</u>

Details of long-term indebtedness are as follows:

General Obligation Bonds:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Governmental Activities
County:					
Industrial park improvements	3.87	12/07/2005	07/15/2017	\$ 1,279,119	\$ 814,912
Library and industrial park	2.82	05/29/2003	07/15/2013	\$ 1,528,900	499,400
School:					
VPSA bond	5.4-5.975	05/18/1995	07/15/2015	\$ 530,000	125,000
VPSA bond	6.1-6.3	05/05/1994	07/15/2013	\$ 925,000	145,000
VPSA bond	5.1-5.5	05/01/1993	12/15/2013	\$ 4,450,000	305,000
VPSA bond	4.975-5.85	11/16/2000	07/15/2020	\$ 2,830,000	1,415,000
School improvement bond	4.1-5.6	05/25/2001	07/15/2021	\$ 25,000,000	16,890,000
VPSA bond	2.35-5.10	11/07/2002	07/15/2023	\$ 1,615,000	1,135,000
School improvement bond	2.30-3.59	11/10/2005	07/15/2025	\$ 13,935,316	10,623,020
VPSA bond	4.35-5.10	11/08/2007	07/15/2027	\$ 5,220,000	4,425,000
VPSA bond	4.05-5.05	05/07/2009	07/15/2029	\$ 30,550,000	29,020,000
					<u>\$ 65,397,332</u>

Lease Revenue and Refunding Bonds:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Governmental Activities
County courthouse and nursing home	4.25-5.0	09/06/2007	02/01/2034	\$ 31,235,000	<u>\$ 29,535,000</u>

(Continued)

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 8. Long-Term Liabilities (Continued)

Capital Lease Obligation:

	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Final Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Governmental Activities</u>
Pierce Truck	3.57	03/14/2008	02/01/2018	\$ 1,644,968	<u>\$ 1,205,537</u>

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

Year Ended June 30	Governmental Activities					
	General Obligation Bonds		Lease Revenue and Refunding Bond		Capital Lease Obligations	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 4,334,249	\$ 3,072,653	\$ 760,000	\$ 1,340,094	\$ 154,637	\$ 43,038
2013	4,377,040	2,871,227	790,000	1,307,794	160,157	37,517
2014	4,333,126	2,666,900	825,000	1,274,219	165,875	31,800
2015	4,199,903	2,463,986	855,000	1,239,156	171,797	25,878
2016	4,284,363	2,259,014	895,000	1,200,681	177,930	19,745
2017-2021	22,443,807	8,010,851	5,150,000	5,331,706	375,141	20,206
2022-2026	14,804,844	3,126,754	6,430,000	4,040,931	-	-
2027-2031	6,620,000	592,104	8,065,000	2,420,363	-	-
2032-2034	-	-	5,765,000	526,275	-	-
	<u>\$ 65,397,332</u>	<u>\$ 25,063,490</u>	<u>\$ 29,535,000</u>	<u>\$ 18,681,219</u>	<u>\$ 1,205,537</u>	<u>\$ 178,184</u>

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Vehicles – Pierce fire trucks	\$ 1,644,939
Less: accumulated depreciation	<u>(986,963)</u>
	<u>\$ 657,976</u>

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 9. Defined Benefit Pension Plan

A. Plan Description

Name of Plan: Virginia Retirement System (VRS)

Identification of Plan: Agent and Cost-Sharing Multiple Employer Defined Benefit Pension Plan

Administering Entity: Virginia Retirement System (System)

All full-time, salaried permanent employees of participating employers are automatically covered by VRS upon employment. Benefits vest after 5 years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

VRS administers two defined benefit plans for local government employees – Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 50 with at least 10 years of service credit or age 55 with at least five years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 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. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 9. Defined Benefit Pension Plan (Continued)

A. Plan Description (Continued)

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2010-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia, 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5.00% of their annual salary to the VRS. All or part of the 5.00% member contribution may be assumed by the employer. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund their participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The County and School's contribution rates for the fiscal year ended 2011 were 9.54% and 5.86% of annual covered payroll, respectively. The contribution rate for School Board professional employees for the VRS state-wide teacher pool was 3.93%.

The School Board's contributions for professional employees were \$1,019,365, \$1,451,562, and \$2,149,150 to the teacher cost-sharing pool for the years ended June 30, 2011, 2010, and 2009, respectively and these contributions represented 3.93%, 8.81%, and 10.30%, respectively, of current covered payroll.

C. Annual Pension Cost

For 2011, the County's annual pension cost of \$655,291 was equal to the County's required and actual contribution. The School Board's annual pension cost for the Board's non-professional employees was \$162,101 and was also equal to the Board's required and actual contribution.

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
County:			
June 30, 2011	\$ 655,291	100%	\$ -
June 30, 2010	\$ 790,586	100%	\$ -
June 30, 2009	\$ 840,485	100%	\$ -

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 9. Defined Benefit Pension Plan (Continued)

C. Annual Pension Cost (Continued)

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
School Board Non-Professional:			
June 30, 2011	\$ 162,101	100%	\$ -
June 30, 2010	\$ 136,663	100%	\$ -
June 30, 2009	\$ 89,367	100%	\$ -

The 2011 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County's and the School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County's and School Board's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 for the unfunded actuarial accrued liability (UAAL) was 20 years.

D. Funded Status and Funding Progress

As of June 30, 2010, the most recent actuarial valuation date, the County's plan was 80.79% funded. The actuarial accrued liability for benefits was \$23,925,600, and the actuarial value of assets was \$19,329,284, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,596,316. The covered payroll (annual payroll of active employees covered by the plan) was \$8,273,494, and the ratio of the UAAL to the covered payroll was 55.55%.

As of June 30, 2010, the most recent actuarial valuation date, the School Board's non-professional plan was 92.67% funded. The actuarial accrued liability for benefits was \$7,352,436, and the actuarial value of assets was \$6,813,655, resulting in an unfunded actuarial accrued liability (UAAL) of \$538,781. The covered payroll (annual payroll of active employees covered by the plan) was \$2,683,616, and the ratio of the UAAL to covered payroll was 20.08%.

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

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 10. Other Post-Employment Benefits

County

A. Plan Description

The County provides post-retirement health care insurance benefits for employees who are eligible for retirement benefits. All full-time employees who retire directly from the County are eligible. Employees applying for early or regular retirement are eligible to continue participation in the County retiree health plan.

B. Funding Policy

The County establishes employer contribution rates for plan participants as part of the budgetary process each year. The County also determines how the plan will be funded each year, whether it will partially fund the plan or fully fund the plan. For participating retirees, the retiree will pay the full blended premium of the medical program.

C. Annual Required Contribution (ARC)

The County's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an actuarially determined amount. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the annual normal cost and amortization of any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

Annual required contribution	\$ 196,162
Interest on net OPEB obligation	12,989
Adjustment to annual required contribution	<u>(13,546)</u>
Annual OPEB cost (expense)	195,605
Contribution by employer	<u>(36,316)</u>
Increase in net OPEB obligation	159,289
Net OPEB obligation - beginning of year, as restated (Note 15)	324,711
	<u><u>\$ 484,000</u></u>

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2011	\$ 195,605	19%	\$ 483,000
June 30, 2010	\$ 179,439	12%	\$ 324,711
June 30, 2009	\$ 181,612	12%	\$ 159,772

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 10. Other Post-Employment Benefits (Continued)

County (Continued)

D. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2010 is as follows:

Actuarial accrued liability (AAL)	\$ 1,228,055
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability	\$ 1,228,055
Fund ratio (actuarial value of plan assets (AAL)	-%
Covered payroll (active plan members)	\$ 8,269,728
UAAL as a percentage of covered payroll	15%

E. Actuarial Methods and Assumptions

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

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

Cost Method:

The projected unit credit (PUC) cost method was used for this valuation. The objective of this method is to fund each participant's benefits under the plan as they would accrue. Under this method the total value of the benefit to which each participant is expected to become entitled is broken down into units, each associated with a year of past or future credited service.

Interest Assumptions:

The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after eight years. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2010, was thirty years.

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 10. Other Post-Employment Benefits (Continued)

School Board

A. Plan Description

The School Board provides post-retirement health care insurance benefits for employees who are eligible for retirement benefits. All employees working at least 25 hours per week who retire directly from the School Board and are eligible to receive an early or regular retirement benefit from the VRS are eligible for the benefit.

B. Funding Policy

The School Board establishes employer contribution rates for plan participants as part of the budgetary process. The School Board also determines how the plan will be funded each year, whether it will partially fund the plan or fully fund the plan. For participating retirees, the retiree will pay the full blended premium of the medical program.

C. Annual Required Contribution (ARC)

The School Board's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an actuarially determined amount. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover annual normal cost and amortization of any unfunded actuarial liabilities. The following table shows the components of the School Board's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Schools Board's net OPEB obligation:

Annual required contribution	\$ 728,172
Interest on net OPEB obligation	35,405
Adjustment to annual required contribution	<u>(37,290)</u>
Annual OPEB cost (expense)	726,287
Contribution by employer	<u>(209,410)</u>
Increase in net OPEB obligation	516,877
Net OPEB obligation - beginning of year	<u>885,123</u>
Net OPEB obligation - end of year	<u><u>\$ 1,402,000</u></u>

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2011	\$ 726,287	29%	\$ 1,402,000
June 30, 2010	\$ 648,948	35%	\$ 885,123
June 30, 2009	\$ 614,425	25%	\$ 460,275

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 10. Other Post-Employment Benefits (Continued)

School Board (Continued)

D. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2010 is as follows:

Actuarial accrued liability (AAL)	\$ 6,336,528
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability	\$ 6,336,528
Fund ratio (actuarial value of plan assets (AAL)	-%
Covered payroll (active plan members)	\$ 25,920,297
UAAL as a percentage of covered payroll	24%

E. Actuarial Methods and Assumptions

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

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

Cost Method:

The projected unit credit (PUC) cost method was used for this valuation. The objective of this method is to fund each participant's benefits under the plan as they would accrue. Under this method the total value of the benefit to which each participant is expected to become entitled is broken down into units, each associated with a year of past or future credited service.

Interest Assumptions:

The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after eight years. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2010, was thirty years.

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 11. Landfill Closure and Post-Closure Care Cost

The County owns and operates a landfill site from which it collects tipping fees based upon the source of the waste.

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure care costs as an operating expense in each period based on landfill capacity used at each balance sheet date. The \$3,920,000 reported as landfill closure care liability at June 30, represents the cumulative amount reported based on the use of 97% of the estimated capacity of the landfill. These amounts are based on what it would cost to perform all closure care in 2011. The County expects to close the landfill during 2012-2013. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The County intends to fund these costs from tipping fees revenue and from any funds accumulated for this purpose in the Landfill Fund as well as transfers from the General Fund.

The County has demonstrated financial assurance requirements for closure, post-closure care, and corrective action costs through the submission of a Local Government Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VAC20-70 of the Virginia Administrative Code.

Note 12. Commitments and Contingencies

Litigation

The County is a potential defendant in litigation involving claims for damages of various types. County officials estimate that any ultimate liability not covered by insurance will have an immaterial effect on the County's financial position.

Federal Grants

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

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 13. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the government carries insurances.

The County is a member of the Virginia Municipal Group Self Insurance Association for workers' compensation. Each Association member jointly and severally agrees to assume, pay, and discharge any liability. The County pays Virginia Municipal Group contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Association and claims awards are to be paid. 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 County carries commercial insurance for all other risks of losses. Settled claims from these risks have not exceeded commercial coverage in any of the last three fiscal years.

Note 14. Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

	General Fund	Virginia Public Assistance Fund	Debt Service Fund	County Capital Projects Fund	School Capital Projects Fund	Other Governmental Funds	Total Governmental Funds	Component Unit – School Board
Restricted for:								
Education	\$ -	\$ -	\$ -	\$ -	\$ 2,387,117	\$ -	\$ 2,387,117	\$ -
Total restricted	-	-	-	-	2,387,117	-	2,387,117	-
Committed to:								
Judicial								
administration	-	-	-	-	-	42,103	42,103	-
Public safety	-	-	-	-	-	13,816	13,816	-
Health and welfare	-	155,290	-	-	-	-	155,290	-
Education	-	-	-	-	-	-	-	934,290
Total committed	-	155,290	-	-	-	55,919	211,209	934,290
Assigned to:								
General government								
administration	36,718	-	-	-	-	-	36,718	-
Education	-	-	-	-	490,790	-	490,790	-
Subsequent year appropriation of fund balance	2,451,476	-	-	-	-	-	2,451,476	-
Other capital projects	-	-	-	1,892,485	-	-	1,892,485	-
Total assigned	2,488,194	-	-	1,892,485	490,790	-	4,871,469	-
Unassigned	17,101,685	-	(107,010)	-	-	-	16,994,675	(147,188)
Total fund balance	<u>\$ 19,589,879</u>	<u>\$ 155,290</u>	<u>\$ (107,010)</u>	<u>\$ 1,892,485</u>	<u>\$ 2,877,907</u>	<u>\$ 55,919</u>	<u>\$ 24,464,470</u>	<u>\$ 787,102</u>

(Continued)

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 15. Restatement of Fund Balance and Net Assets

The following is a summary of the restatement of the County's fund balance and net assets effective June 30, 2010:

	Primary Government				Component Unit
	General Fund	Airport Fund	Landfill Fund	Governmental Activities	School Board Governmental Activities
Fund balance/net assets, June 30, 2010, as previously stated	\$ 17,204,546	\$ 10,256,993	\$ 1,958,995	\$ 26,799,807	\$ 24,317,330
To record accrued payroll for hourly employees	(81,024)	-	-	(81,024)	-
To write off improper accounts receivable	-	-	(51,904)	-	-
To adjust revenue for receivables not properly booked in prior year	53,093	-	-	53,093	-
To adjust for unrecognized ambulance receivables	140,784	-	-	329,480	-
To correct beginning OPEB liability	-	(1,792)	(12,545)	6,638	-
To correct errors in capital assets	-	532,910	-	(18,386,408)	-
To record unaccrued sick leave	-	-	-	-	(987,089)
To record nursing home long-term note receivable	-	-	-	20,700,000	-
Net change in fund balance/net assets	<u>112,853</u>	<u>531,118</u>	<u>(64,449)</u>	<u>2,621,779</u>	<u>(987,089)</u>
Fund balance/net assets June 30, 2010, as restated	<u>\$ 17,317,399</u>	<u>\$ 10,788,111</u>	<u>\$ 1,894,546</u>	<u>\$ 29,421,586</u>	<u>\$ 23,330,241</u>

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 16. Pending GASB Statements

The Governmental Accounting Standards Board (GASB) has issued the following statements which are not yet effective.

GASB Statement No. 61 *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34* modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present to be included as a component unit. The statement also amends the criteria for reporting of blended component units. For component units that are blended based on the “substantively the same governing body” criterion, it additionally requires that a financial benefit or financial burden relationship exist or management of the primary government have operational responsibility for the activities of the component unit. The statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset. This statement will be effective for the year ending June 30, 2013.

GASB Statement No. 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* was issued to incorporate into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in FASB pronouncements issued on or before November 30, 1989 which do not conflict with or contradict GASB pronouncements. This statement will be effective for the year ending June 30, 2013.

GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflow of Resources, and Net Position* is intended to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government’s net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed. This statement will be effective for the year ending June 30, 2013.

Management has not yet evaluated the effects, if any, of adopting these standards.

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**REQUIRED
SUPPLEMENTARY INFORMATION**

COUNTY OF ORANGE, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 31,070,070	\$ 31,070,070	\$ 32,506,482	\$ 1,436,412
Other local taxes	5,406,500	5,406,500	5,693,705	287,205
Permits, privilege fees, and regulatory licenses	176,400	176,400	225,857	49,457
Fines and forfeitures	31,000	31,000	50,182	19,182
Revenue from the use of money and property	485,992	485,992	334,498	(151,494)
Charges for services	1,843,437	1,854,032	1,779,992	(74,040)
Miscellaneous	504,616	649,080	447,364	(201,716)
Recovered costs	1,484,477	1,674,174	2,266,476	592,302
Intergovernmental revenues:				
Commonwealth	5,947,100	6,927,452	6,763,057	(164,395)
Federal	74,520	113,124	84,041	(29,083)
Total revenues	47,024,112	48,387,824	50,151,654	1,763,830
EXPENDITURES				
Current:				
General government administration	3,002,196	3,272,588	2,717,558	555,030
Judicial administration	1,395,684	1,435,020	1,399,981	35,039
Public safety	8,929,603	9,625,869	9,233,856	392,013
Public works	830,031	830,750	749,891	80,859
Health and welfare	2,358,008	3,360,767	3,222,511	138,256
Education	17,225,458	17,385,567	16,060,517	1,325,050
Parks, recreation, and cultural	1,123,627	1,141,448	1,010,633	130,815
Community development	1,121,598	1,293,734	947,721	346,013
Nondepartmental	397,100	96,571	79,648	16,923
Total expenditures	36,383,305	38,442,314	35,422,316	3,019,998
Excess of revenues over expenditures	10,640,807	9,945,510	14,729,338	4,783,828
OTHER FINANCING SOURCES (USES):				
Transfers in	294,987	294,987	294,987	-
Transfers out	(12,673,276)	(12,751,845)	(12,751,845)	-
Total other financing sources (uses), net	(12,378,289)	(12,456,858)	(12,456,858)	-
Net change in fund balance	\$ (1,737,482)	\$ (2,511,348)	\$ 2,272,480	\$ 4,783,828

COUNTY OF ORANGE, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
VIRGINIA PUBLIC ASSISTANCE FUND
Year Ended June 30, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenues:				
Commonwealth	\$ 1,601,902	\$ 1,601,902	\$ 872,006	\$ (729,896)
Federal	681,716	681,716	1,313,812	632,096
Miscellaneous	-	-	147	147
Total revenues	2,283,618	2,283,618	2,185,965	(97,653)
EXPENDITURES				
Current:				
Health and welfare	2,962,113	2,962,113	2,844,104	118,009
Total expenditures	2,962,113	2,962,113	2,844,104	118,009
Excess of revenues over (under) expenditures	(678,495)	(678,495)	(658,139)	20,356
OTHER FINANCING SOURCES:				
Transfers in	378,495	378,495	378,495	-
Total other financing sources, net	378,495	378,495	378,495	-
Net change in fund balance	\$ (300,000)	\$ (300,000)	\$ (279,644)	\$ 20,356

COUNTY OF ORANGE, VIRGINIA

SCHEDULE OF FUNDING PROGRESS – PENSION AND OTHER POST-EMPLOYMENT BENEFITS
June 30, 2011

VIRGINIA RETIREMENT SYSTEM

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll</u>
A. Primary Government						
June 30, 2008	\$ 17,463,071	\$ 19,311,758	\$ 1,848,687	90.43%	\$ 8,703,420	21.24%
June 30, 2009	18,737,536	20,814,931	2,077,395	90.02%	8,639,863	24.04%
June 30, 2010	19,329,284	23,925,600	4,596,316	80.79%	8,273,494	55.55%
B. Discretely Presented Component Unit – School Board:						
June 30, 2008	\$ 6,632,518	\$ 6,228,003	\$ (404,515)	106.50%	\$ 2,528,865	-16.00%
June 30, 2009	6,756,118	6,752,521	(3,597)	100.05%	2,774,217	-0.13%
June 30, 2010	6,813,655	7,352,436	538,781	92.67%	2,683,616	20.08%

OTHER POST-EMPLOYMENT BENEFITS

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll</u>
A. Primary Government:						
July 1, 2008	\$ -	\$ 963,831	\$ 963,831	0.00%	N/A	N/A
July 1, 2010	-	1,369,559	1,369,559	0.00%	8,269,728	15.00%
B. Discretely Presented Component Unit – School Board:						
July 1, 2008	\$ -	\$ 5,006,811	\$ 5,006,811	0.00%	N/A	N/A
July 1, 2010	-	6,336,528	6,336,528	0.00%	25,920,297	24.00%

**OTHER
SUPPLEMENTARY INFORMATION**

COUNTY OF ORANGE, VIRGINIA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2011

	Asset Forfeiture Fund	Law Library Fund	Totals
ASSETS			
Cash and cash equivalents	\$ 18,297	\$ 42,076	\$ 60,373
Accounts receivable, net	-	520	520
Total assets	<u>\$ 18,297</u>	<u>\$ 42,596</u>	<u>\$ 60,893</u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	<u>4,481</u>	<u>493</u>	<u>4,974</u>
Total liabilities	<u>4,481</u>	<u>493</u>	<u>4,974</u>
Fund balances:			
Committed	<u>13,816</u>	<u>42,103</u>	<u>55,919</u>
Total fund balances	<u>13,816</u>	<u>42,103</u>	<u>55,919</u>
Total liabilities and fund balances	<u>\$ 18,297</u>	<u>\$ 42,596</u>	<u>\$ 60,893</u>

COUNTY OF ORANGE, VIRGINIA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
Year Ended June 30, 2011**

	Asset Forfeiture Fund	Law Library Fund	Totals
REVENUES			
Revenue from the use of money and property	\$ 1,432	\$ -	\$ 1,432
Charges for services	-	7,938	7,938
Intergovernmental revenues:			
Commonwealth	3,853	-	3,853
Total revenues	<u>5,285</u>	<u>7,938</u>	<u>13,223</u>
EXPENDITURES			
Current:			
Judicial administration	276	2,550	2,826
Public safety	7,437	-	7,437
Total expenditures	<u>7,713</u>	<u>2,550</u>	<u>10,263</u>
Net change in fund balances	<u>(2,428)</u>	<u>5,388</u>	<u>2,960</u>
Fund balance, beginning	<u>16,244</u>	<u>36,715</u>	<u>52,959</u>
Fund balance, ending	<u><u>\$ 13,816</u></u>	<u><u>\$ 42,103</u></u>	<u><u>\$ 55,919</u></u>

COUNTY OF ORANGE, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS
Year Ended June 30, 2011**

	Asset Forfeiture Fund				Law Library Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final		
REVENUES								
Revenue from the use of money and property	\$ -	\$ -	\$ 1,432	\$ 1,432	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	5,000	5,000	7,938	2,938
Intergovernmental revenues:								
Commonwealth	-	3,555	3,853	298	-	-	-	-
Total revenues	-	3,555	5,285	1,730	5,000	5,000	7,938	2,938
EXPENDITURES								
Current:								
Judicial administration	-	5,142	276	4,866	5,000	5,000	2,550	2,450
Public safety	-	14,551	7,437	7,114	-	-	-	-
Total expenditures	-	19,693	7,713	11,980	5,000	5,000	2,550	2,450
Excess of revenues over expenditures	-	(16,138)	(2,428)	13,710	-	-	5,388	5,388
OTHER FINANCING SOURCE:								
Transfers in	-	16,138	-	16,138	-	-	-	-
Total other financing source	-	16,138	-	16,138	-	-	-	-
Net change in fund balances	\$ -	\$ -	\$ (2,428)	\$ (2,428)	\$ -	\$ -	\$ 5,388	\$ 5,388

COUNTY OF ORANGE, VIRGINIA

COMBINING STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2011

	Special Welfare	Rapidan Hills Limited Partnership Fund	Commonwealth Fund	Bond Escrow Agency Fund	Total
ASSETS					
Cash and cash equivalents	\$ 61,504	\$ 7,763	\$ 208	\$ 272,997	\$ 342,472
Accounts receivable	-	-	1,424	-	1,424
	<u>-</u>	<u>-</u>	<u>1,424</u>	<u>-</u>	<u>1,424</u>
Total assets	<u>\$ 61,504</u>	<u>\$ 7,763</u>	<u>\$ 1,632</u>	<u>\$ 272,997</u>	<u>\$ 343,896</u>
LIABILITIES					
Amounts held for social services clients	\$ 61,504	\$ -	\$ -	\$ -	\$ 61,504
Amounts held for Rapidan Hills Limited Partnership	-	7,763	-	-	7,763
Amounts held for others	-	-	1,632	272,997	274,629
	<u>-</u>	<u>-</u>	<u>1,632</u>	<u>272,997</u>	<u>274,629</u>
Total liabilities	<u>\$ 61,504</u>	<u>\$ 7,763</u>	<u>\$ 1,632</u>	<u>\$ 272,997</u>	<u>\$ 343,896</u>

COUNTY OF ORANGE, VIRGINIA

**COMBINING STATEMENT OF CHANGES IN
ASSETS AND LIABILITIES
AGENCY FUNDS
Year Ended June 30, 2011**

	Beginning Balance	Additions	Deletions	Ending Balance
Special Welfare Fund				
ASSETS				
Cash and cash equivalents	\$ 30,832	\$ 91,447	\$ 60,775	\$ 61,504
Total assets	<u>\$ 30,832</u>	<u>\$ 91,447</u>	<u>\$ 60,775</u>	<u>\$ 61,504</u>
LIABILITIES				
Amounts held for social services clients	\$ 30,832	\$ 91,447	\$ 60,775	\$ 61,504
Total liabilities	<u>\$ 30,832</u>	<u>\$ 91,447</u>	<u>\$ 60,775</u>	<u>\$ 61,504</u>
Rapidan Hills Limited Partnership				
ASSETS				
Cash and cash equivalents	\$ 7,713	\$ 50	\$ -	\$ 7,763
Total assets	<u>\$ 7,713</u>	<u>\$ 50</u>	<u>\$ -</u>	<u>\$ 7,763</u>
LIABILITIES				
Amounts held for Rapidan Hills Limited Partnership	\$ 7,713	\$ 50	\$ -	\$ 7,763
Total liabilities	<u>\$ 7,713</u>	<u>\$ 50</u>	<u>\$ -</u>	<u>\$ 7,763</u>
Commonwealth Fund				
ASSETS				
Cash and cash equivalents	\$ 836	\$ -	\$ 628	\$ 208
Accounts receivable	-	1,424	-	1,424
Total assets	<u>\$ 836</u>	<u>\$ 1,424</u>	<u>\$ 628</u>	<u>\$ 1,632</u>
LIABILITIES				
Amounts held for others	\$ 836	\$ 1,424	\$ 628	\$ 1,632
Total liabilities	<u>\$ 836</u>	<u>\$ 1,424</u>	<u>\$ 628</u>	<u>\$ 1,632</u>
Bond Escrow Agency Fund				
ASSETS				
Cash and cash equivalents	\$ 297,525	\$ -	\$ 24,528	\$ 272,997
Total assets	<u>\$ 297,525</u>	<u>\$ -</u>	<u>\$ 24,528</u>	<u>\$ 272,997</u>
LIABILITIES				
Amounts held for others	\$ 297,525	\$ -	\$ 24,528	\$ 272,997
Total liabilities	<u>\$ 297,525</u>	<u>\$ -</u>	<u>\$ 24,528</u>	<u>\$ 272,997</u>
Totals – All Agency Funds				
ASSETS				
Cash and cash equivalents	\$ 336,906	\$ 91,497	\$ 85,931	\$ 342,472
Accounts receivable	-	1,424	-	1,424
Total assets	<u>\$ 336,906</u>	<u>\$ 92,921</u>	<u>\$ 85,931</u>	<u>\$ 343,896</u>
LIABILITIES				
Amounts held for social services clients	\$ 30,832	\$ 91,447	\$ 60,775	\$ 61,504
Amounts held for Rapidan Hills Limited Partnership	7,713	50	-	7,763
Amounts held for others	298,361	1,424	25,156	274,629
Total liabilities	<u>\$ 336,906</u>	<u>\$ 92,921</u>	<u>\$ 85,931</u>	<u>\$ 343,896</u>

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD

Major Governmental Funds

School Operating Fund

The School Operating Fund is a special revenue fund that accounts for the operations of the County's school system. Financing is provided by the State and Federal Governments as well as contributions from the general fund.

School Textbook Adoptions Fund

The School Textbook Adoptions Fund is a special revenue fund that accounts for transactions related to the adoption of textbooks to be utilized in the County's school system.

Adult Education Fund

The Adult Education Fund is a special revenue fund that accounts for transactions related to the regional adult education program the County oversees.

Nonmajor Governmental Funds

School Cafeteria Fund

The Cafeteria Fund is a special revenue fund that accounts for the County's school lunch program. Financing is provided from lunch sales and state and federal reimbursements.

Employee Child Care Fund

The Employee Child Care Fund is a special revenue fund that accounts for the County's Employee Child Care program. Financing is provided from Tuition daycare fees.

Head Start Fund

The Head Start Fun is a special revenue fund that accounts for the operations of the County's Head Start program. Financing is provided by the Federal government.

COUNTY OF ORANGE, VIRGINIA

COMBINING BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
Year Ended June 30, 2011

	School Operating Fund	School Textbook Adoptions Fund	Adult Education Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 2,799,928	\$ 774,649	\$ -	\$ 283,097	\$ 3,857,674
Accounts receivable, net	7,257	-	22,464	2,602	32,323
Due from other funds	29,854	-	-	-	29,854
Due from other governmental units	1,872,379	-	51,243	49,597	1,973,219
Total assets	<u>\$ 4,709,418</u>	<u>\$ 774,649</u>	<u>\$ 73,707</u>	<u>\$ 335,296</u>	<u>\$ 5,893,070</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Due to other funds	\$ -	\$ -	\$ 29,854	\$ -	\$ 29,854
Accounts payable	1,432,848	-	1,305	33,757	1,467,910
Accrued liabilities	3,423,758	-	29,524	154,922	3,608,204
Total liabilities	<u>4,856,606</u>	<u>-</u>	<u>60,683</u>	<u>188,679</u>	<u>5,105,968</u>
Fund balances:					
Committed	-	774,649	13,024	146,617	934,290
Unassigned	(147,188)	-	-	-	(147,188)
Total fund balances	<u>(147,188)</u>	<u>774,649</u>	<u>13,024</u>	<u>146,617</u>	<u>787,102</u>
Total liabilities and fund balances	<u>\$ 4,709,418</u>	<u>\$ 774,649</u>	<u>\$ 73,707</u>	<u>\$ 335,296</u>	<u>\$ 5,893,070</u>

Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:

Total fund balances – governmental funds	\$ 787,102
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	27,498,280
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	
Other post-employment benefits	(1,402,000)
Compensated absences	(1,362,991)
Net assets of governmental activities	<u><u>\$ 25,520,391</u></u>

COUNTY OF ORANGE, VIRGINIA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS – DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
Year Ended June 30, 2011**

	School Operating Fund	School Textbook Adoptions Fund	Adult Education Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Revenue from the use of money and property	\$ 14,998	\$ -	\$ -	\$ 711	\$ 15,709
Charges for services	84,213	-	21,943	957,171	1,063,327
Miscellaneous	279,191	-	26,834	-	306,025
Intergovernmental revenues:					
Local government	16,331,657	-	18,605	-	16,350,262
Commonwealth	20,084,895	-	77,272	23,384	20,185,551
Federal	4,185,715	-	140,159	2,382,166	6,708,040
Total revenues	<u>40,980,669</u>	<u>-</u>	<u>284,813</u>	<u>3,363,432</u>	<u>44,628,914</u>
EXPENDITURES					
Current:					
Education	<u>40,742,552</u>	<u>372,709</u>	<u>280,186</u>	<u>3,264,183</u>	<u>44,659,630</u>
Total expenditures	<u>40,742,552</u>	<u>372,709</u>	<u>280,186</u>	<u>3,264,183</u>	<u>44,659,630</u>
Excess (deficiency) of revenues over expenditures	<u>238,117</u>	<u>(372,709)</u>	<u>4,627</u>	<u>99,249</u>	<u>(30,716)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	385,305	-	-	385,305
Transfers out	<u>(385,305)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(385,305)</u>
Total other financing sources and uses	<u>(385,305)</u>	<u>385,305</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(147,188)</u>	<u>12,596</u>	<u>4,627</u>	<u>99,249</u>	<u>(30,716)</u>
Fund balances – beginning	<u>-</u>	<u>762,053</u>	<u>8,397</u>	<u>47,368</u>	<u>817,818</u>
Fund balances – ending	<u>\$ (147,188)</u>	<u>\$ 774,649</u>	<u>\$ 13,024</u>	<u>\$ 146,617</u>	<u>\$ 787,102</u>

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:

Net change in fund balances – total governmental funds \$ (30,716)

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.

Capital outlay	2,331,118
Depreciation expense	(2,018,283)
Loss on disposition of capital assets	(15,706)
Allocation of debt financed school assets based on current year repayments and drawdowns of bond proceeds	<u>2,440,614</u>
	2,737,743

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. (516,877)

Change in net assets of governmental activities \$ 2,190,150

COUNTY OF ORANGE, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
GOVERNMENTAL FUNDS – DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
Year Ended June 30, 2011**

	School Operating Fund				School Textbook Adoptions Fund				Adult Education Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final			Original	Final		
REVENUES												
Revenue from the use of money and property	\$ 19,545	\$ 19,545	\$ 14,998	\$ (4,547)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	35,000	47,000	84,213	37,213	-	-	-	-	27,846	26,236	21,943	(4,293)
Miscellaneous	105,501	155,612	279,191	123,579	-	-	-	-	30,498	32,108	26,834	(5,274)
Intergovernmental revenues:												
Local government	17,326,195	17,656,547	16,331,657	(1,324,890)	-	-	-	-	14,156	14,156	18,605	4,449
Commonwealth	22,029,868	21,331,451	20,084,895	(1,246,556)	-	-	-	-	96,598	96,598	77,272	(19,326)
Federal	3,375,016	3,337,101	4,185,715	848,614	-	-	-	-	139,053	145,866	140,159	(5,707)
Total revenues	42,891,125	42,547,256	40,980,669	(1,566,587)	-	-	-	-	308,151	314,964	284,813	(30,151)
EXPENDITURES												
Current:												
Education	42,505,820	42,161,951	40,742,552	1,419,399	555,000	555,000	372,709	182,291	308,151	314,964	280,186	34,778
Total expenditures	42,505,820	42,161,951	40,742,552	1,419,399	555,000	555,000	372,709	182,291	308,151	314,964	280,186	34,778
Excess of revenues over expenditures	385,305	385,305	238,117	(147,188)	(555,000)	(555,000)	(372,709)	182,291	-	-	4,627	4,627
OTHER FINANCING SOURCES (USES)												
Transfers in	-	-	-	-	555,000	385,305	385,305	-	-	-	-	-
Transfers out	(385,305)	(385,305)	(385,305)	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(385,305)	(385,305)	(385,305)	-	555,000	385,305	385,305	-	-	-	-	-
Net change in fund balances	\$ -	\$ -	\$ (147,188)	\$ (147,188)	\$ -	\$ (169,695)	\$ 12,596	\$ 182,291	\$ -	\$ -	\$ 4,627	\$ 4,627

COUNTY OF ORANGE, VIRGINIA

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
June 30, 2011**

	School Cafeteria Fund	Employee Childcare Fund	Head Start Fund	Total
ASSETS				
Cash and cash equivalents	\$ 173,610	\$ 13,265	\$ 96,222	\$ 283,097
Accounts receivable, net	2,602	-	-	2,602
Due from other governmental units	49,597	-	-	49,597
Total assets	<u>\$ 225,809</u>	<u>\$ 13,265</u>	<u>\$ 96,222</u>	<u>\$ 335,296</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 13,470	\$ 13	\$ 20,274	\$ 33,757
Accrued liabilities	71,425	12,842	70,655	154,922
Total liabilities	<u>84,895</u>	<u>12,855</u>	<u>90,929</u>	<u>188,679</u>
Fund balances:				
Committed	140,914	410	5,293	146,617
Total fund balances	<u>140,914</u>	<u>410</u>	<u>5,293</u>	<u>146,617</u>
Total liabilities and fund balances	<u>\$ 225,809</u>	<u>\$ 13,265</u>	<u>\$ 96,222</u>	<u>\$ 335,296</u>

COUNTY OF ORANGE, VIRGINIA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – NONMAJOR SPECIAL REVENUE FUNDS –
DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
Year Ended June 30, 2011**

	School Cafeteria Fund	Employee Childcare Fund	Head Start Fund	Total
REVENUES				
Revenue from the use of money and property	\$ 711	\$ -	\$ -	\$ 711
Charges for services	847,431	109,740	-	957,171
Intergovernmental revenues:				
Commonwealth	23,384	-	-	23,384
Federal	914,296	-	1,467,870	2,382,166
Total revenues	<u>1,785,822</u>	<u>109,740</u>	<u>1,467,870</u>	<u>3,363,432</u>
EXPENDITURES				
Current:				
Education	<u>1,692,276</u>	<u>109,330</u>	<u>1,462,577</u>	<u>3,264,183</u>
Total expenditures	<u>1,692,276</u>	<u>109,330</u>	<u>1,462,577</u>	<u>3,264,183</u>
Net change in fund balances	93,546	410	5,293	99,249
Fund balances – beginning	<u>47,368</u>	<u>-</u>	<u>-</u>	<u>47,368</u>
Fund balances – ending	<u><u>\$ 140,914</u></u>	<u><u>\$ 410</u></u>	<u><u>\$ 5,293</u></u>	<u><u>\$ 146,617</u></u>

COUNTY OF ORANGE, VIRGINIA

BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT – ECONOMIC DEVELOPMENT AUTHORITY
June 30, 2011

ASSETS

Cash and cash equivalents	\$ 1,258,250
Total assets	<u>\$ 1,258,250</u>

LIABILITIES AND FUND BALANCE

Liabilities:	
Accounts payable	<u>1,008</u>
Total liabilities	<u>1,008</u>

Fund balance:

Assigned	<u>1,257,242</u>
Total fund balance	<u>1,257,242</u>
Total liabilities and fund balance	<u>\$ 1,258,250</u>

Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:

Total fund balance	\$ 1,257,242
--------------------	--------------

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>129,172</u>
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Net assets of governmental activities	<u><u>\$ 1,386,414</u></u>
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COUNTY OF ORANGE, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
DISCRETELY PRESENTED COMPONENT UNIT – ECONOMIC DEVELOPMENT AUTHORITY
Year Ended June 30, 2011

REVENUES

Revenue from the use of money and property	\$ 3,424
Intergovernmental revenues:	
Contribution from County	<u>101,800</u>
Total revenues	<u>105,224</u>

EXPENDITURES

Current:	
Community development	<u>44,711</u>
Total expenditures	<u>44,711</u>

Net change in fund balance	<u>60,513</u>
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Fund balance – beginning	<u>1,196,729</u>
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Fund balance – ending	<u><u>\$ 1,257,242</u></u>
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Amounts reported for governmental activities in the statement of activities (Exhibit 2)
are different because:

Net change in fund balance – total governmental funds	\$ 60,513
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Change in net assets of governmental activities	<u><u>\$ 60,513</u></u>
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STATISTICAL SECTION

This part of the County of Orange, Virginia's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the County's overall financial health.

Contents

Table

Financial Trends

1-6

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

Revenue Capacity

7-10

These tables contain information to help the reader assess the factors affecting the County's ability to generate revenues through property, sales taxes, and other means.

Debt Capacity

11-12

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

Demographic and Economic Information

13

These tables offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place and to help make comparison over time and with other governments.

Operating Information

14-15

These schedules contain information about the County's operations and resources to help the reader understand how the County's financial information relates to the services the County provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The County implemented Statement No. 34 in fiscal year 2003; schedules presenting government-wide information include information beginning in that year.

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TABLE 1

COUNTY OF ORANGE, VIRGINIA

NET ASSETS BY COMPONENT
LAST NINE FISCAL YEARS
(accrual basis of accounting)
UNAUDITED

	2011	2010	2009	2008	2007	2006	2005	2004	2003
Governmental activities									
Invested in capital assets, net of related debt	\$ 11,254,062	\$ 6,973,273	\$ 5,816,416	\$ 6,899,872	\$ 4,870,909	\$ 9,363,277	\$ 7,389,293	\$ 3,762,291	\$ 2,823,689
Unrestricted	19,290,317	19,826,534	21,206,936	22,349,138	23,236,212	24,799,517	21,901,113	17,045,551	8,289,588
Total governmental activities net assets	30,544,379	26,799,807	27,023,352	29,249,010	28,107,121	34,162,794	29,290,406	20,807,842	11,113,277
Business-type activities									
Invested in capital assets, net of related debt	11,649,754	9,873,370	9,337,495	8,274,862	5,756,300	-	-	-	-
Unrestricted	2,666,307	2,342,618	1,355,176	828,666	1,162,008	-	-	-	-
Total business-type activities net assets	14,316,061	12,215,988	10,692,671	9,103,528	6,918,308	-	-	-	-
Primary government									
Invested in capital assets, net of related debt	22,903,816	16,846,643	15,153,911	15,174,734	10,627,209	9,363,277	7,389,293	3,762,291	2,823,689
Unrestricted	21,956,624	22,169,152	22,562,112	23,177,804	24,398,220	24,799,517	21,901,113	17,045,551	8,289,588
Total primary government net assets	\$ 44,860,440	\$ 39,015,795	\$ 37,716,023	\$ 38,352,538	\$ 35,025,429	\$ 34,162,794	\$ 29,290,406	\$ 20,807,842	\$ 11,113,277

Note: Accrual-basis financial information is available from 2003 forward.

TABLE 2

COUNTY OF ORANGE, VIRGINIA

**CHANGES IN NET ASSETS
LAST NINE FISCAL YEARS
(accrual basis of accounting)
UNAUDITED**

	2011	2010	2009	2008	2007	2006	2005	2004	2003
Expenses									
Governmental activities									
General government	\$ 3,568,522	\$ 4,859,717	\$ 5,107,926	\$ 3,387,068	\$ 3,003,694	\$ 2,763,001	\$ 2,341,890	\$ 1,646,727	\$ 1,790,631
Judicial administration	1,496,249	1,320,372	1,471,735	1,377,117	1,240,757	1,181,123	1,101,740	945,917	954,897
Public safety	9,755,361	10,017,491	9,951,868	8,715,289	8,695,463	6,247,025	5,393,425	4,585,509	4,033,313
Public works	642,287	679,892	800,019	616,698	1,218,688	1,539,839	1,880,492	1,063,492	1,635,586
Health and welfare	6,471,864	5,235,344	4,579,632	4,490,368	3,790,421	3,518,227	3,516,557	3,263,359	3,066,903
Education	19,494,387	19,675,748	20,716,819	20,282,099	17,154,592	18,215,899	11,331,591	17,949,742	16,140,469
Parks, recreation, and cultural	1,074,565	1,645,909	1,766,622	2,646,279	2,583,963	2,189,340	1,968,330	1,768,321	1,587,098
Community development	1,013,298	1,506,794	1,542,893	1,737,481	2,167,702	1,720,063	665,415	861,578	1,147,338
Interest	4,388,109	3,749,091	2,629,414	2,690,659	2,617,981	2,810,123	2,635,332	2,790,069	3,060,620
Total governmental activities	47,904,642	48,690,358	48,566,928	45,943,058	42,473,261	40,184,640	30,834,772	34,874,714	33,416,855
Business-type activities									
Airport	840,425	733,545	548,514	568,900	488,408	-	-	-	-
Landfill	3,347,359	2,246,931	2,616,278	3,161,506	2,061,273	-	-	-	-
Total business-type activities expense	4,187,784	2,980,476	3,164,792	3,730,406	2,549,681	-	-	-	-
Total primary government expenses	52,092,426	51,670,834	51,731,720	49,673,464	45,022,942	40,184,640	30,834,772	34,874,714	33,416,855
Program revenues									
Governmental activities									
Charges for services									
General government	1,771,477	-	-	-	-	-	-	-	-
Judicial administration	340,045	68,202	31,787	87,693	155,591	168,416	215,273	80,264	51,601
Public safety	1,317,980	1,512,408	1,267,967	960,636	911,715	985,938	893,633	664,997	174,905
Public works	-	-	166,136	292,287	543,931	502,646	358,607	403,609	267,471
Education	271,022	-	-	-	-	-	-	-	-
Parks, recreation, and cultural	134,921	432,304	522,889	1,012,648	1,084,077	967,809	816,855	737,063	615,252
Community development	-	505	-	-	-	2,960	3,189	816	3,825
Operating grants and contributions	7,393,931	6,034,820	5,791,917	5,568,166	5,805,572	5,132,282	4,775,102	4,421,239	4,121,566
Capital grants and contributions	47,546	625,490	661,450	878,745	1,114,046	1,709,449	1,418,746	331,373	1,581,316
Total governmental activities program revenues	11,276,922	8,673,729	8,442,146	8,800,175	9,614,932	9,469,500	8,481,405	6,639,361	6,815,936
Business-type activities									
Charges for services									
Airport	417,480	307,756	223,071	285,453	281,737	-	-	-	-
Landfill	309,195	255,400	317,267	531,189	452,795	-	-	-	-
Operating grants and contributions	11,568	538,546	965,798	1,766,434	622,321	-	-	-	-
Capital grants and contributions	1,144,325	-	-	-	-	-	-	-	-
Total business-type activities program revenues	1,882,568	1,101,702	1,506,136	2,583,076	1,356,853	-	-	-	-
Total primary government program revenues	13,159,490	9,775,431	9,948,282	11,383,251	10,971,785	9,469,500	8,481,405	6,639,361	6,815,936

(Continued)

TABLE 2

COUNTY OF ORANGE, VIRGINIA

**CHANGES IN NET ASSETS
LAST NINE FISCAL YEARS
(accrual basis of accounting)
UNAUDITED**

	2011	2010	2009	2008	2007	2006	2005	2004	2003
Net (expense) revenue									
Governmental activities	\$ (36,627,720)	\$ (40,016,629)	\$ (40,124,782)	\$ (37,142,883)	\$ (32,858,329)	\$ (30,715,140)	\$ (22,353,370)	\$ (28,235,353)	\$ (26,600,919)
Business-type activities	(2,305,216)	(1,878,774)	(1,658,656)	(1,147,330)	(1,192,828)	-	-	-	-
Total primary government net expense	(38,932,936)	(41,895,403)	(41,783,438)	(38,290,213)	(34,051,157)	(30,715,140)	(22,353,370)	(28,235,353)	(26,600,919)
General Revenues and Other Changes in Net Assets									
Governmental activities:									
Taxes									
Property taxes	32,155,490	31,599,974	30,690,664	28,715,860	25,212,472	23,299,421	21,598,071	29,538,450	18,606,397
Local sales and use	1,740,887	1,679,256	1,825,239	2,065,302	2,102,596	2,073,563	1,941,534	1,835,213	1,685,245
Consumers' utility taxes	2,086,617	2,050,682	2,091,128	2,174,844	1,087,064	1,003,459	824,666	865,991	836,980
Consumption taxes	101,613	90,711	91,249	88,810	87,131	122,586	78,857	101,583	73,830
Cable franchise taxes	-	-	-	-	71,315	61,553	57,292	51,518	49,605
E-911 taxes	-	-	-	-	188,853	355,080	394,164	362,019	378,939
Cellular phone taxes	-	-	-	-	193,332	313,258	323,304	261,143	212,948
Motor vehicle license taxes	652,932	677,609	662,465	626,497	35,106	648,453	617,435	583,312	561,490
Taxes on recordation and wills	381,132	455,274	471,439	699,013	794,539	1,180,858	818,847	439,586	360,837
Restaurant food taxes	577,864	510,629	514,019	540,904	541,263	429,096	409,958	340,754	332,144
Other local taxes	152,660	115,720	83,338	93,386	84,397	92,602	102,631	83,040	144,306
Permits, privilege fees, and regulatory licenses	-	-	-	-	-	-	-	-	366,971
Unrestricted revenues from use of money and property	354,819	1,974,347	1,006,373	2,091,066	1,414,945	1,285,767	630,817	484,998	841,844
Miscellaneous	491,702	580,009	690,938	676,056	195,531	1,508,103	297,771	221,720	304,424
Unrestricted grants and contributions	2,945,313	2,978,545	2,974,228	3,024,981	2,870,001	3,213,729	2,810,083	2,760,591	2,667,730
Transfers	(3,890,516)	(3,295,789)	(3,201,956)	(2,485,976)	(3,087,955)	-	-	-	-
Total governmental activities	37,750,513	39,416,967	37,899,124	38,310,743	31,790,590	35,587,528	30,905,430	37,929,918	27,423,690
Business-type activities:									
Unrestricted revenues from use of money and property	-	-	40,775	33,880	35,247	-	-	-	-
Miscellaneous	48,104	106,302	5,068	-	-	-	-	-	-
Transfers	3,890,516	3,295,789	3,201,956	2,485,976	3,087,955	-	-	-	-
Total business-type activities	3,938,620	3,402,091	3,247,799	2,519,856	3,123,202	-	-	-	-
Total primary government	41,689,133	42,819,058	41,146,923	40,830,599	34,913,792	35,587,528	30,905,430	37,929,918	27,423,690
Changes in Net Assets									
Governmental activities	1,122,793	(599,662)	(2,225,658)	1,167,860	(1,067,739)	4,872,388	8,552,060	9,694,565	822,771
Business-type activities	1,633,404	1,523,317	1,589,143	1,372,526	1,930,374	-	-	-	-
Total primary government	\$ 2,756,197	\$ 923,655	\$ (636,515)	\$ 2,540,386	\$ 862,635	\$ 4,872,388	\$ 8,552,060	\$ 9,694,565	\$ 822,771

Note: Accrual-basis financial information is available from 2003 forward.

TABLE 3**COUNTY OF ORANGE, VIRGINIA**

GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
LAST NINE FISCAL YEARS
(accrual basis of accounting)
UNAUDITED

	2011	2010	2009	2008	2007	2006	2005	2004	2003
Property tax	\$ 32,155,490	\$ 31,599,974	\$ 30,690,664	\$ 28,715,860	\$ 25,212,472	\$ 23,299,421	\$ 21,598,071	\$ 29,538,450	\$ 18,606,397
Local sales and use tax	1,740,887	1,679,256	1,825,239	2,065,302	2,102,596	2,073,563	1,941,534	1,835,213	1,685,245
Consumer utility tax	2,086,617	2,050,682	2,091,128	2,174,844	1,087,064	1,003,459	824,666	865,991	836,980
Consumption tax	101,613	90,711	91,249	88,810	87,131	122,586	78,857	101,583	73,830
Cable franchise tax (1)	-	-	-	-	71,315	61,553	57,292	51,518	49,605
E-911 tax (1)	-	-	-	-	188,853	355,080	394,164	362,019	378,939
Cellular phone tax (1)	-	-	-	-	193,332	313,258	323,304	261,143	212,948
Motor vehicle tax	652,932	677,609	662,465	626,497	35,106	648,453	617,435	583,312	561,490
Taxes on recordation and wills	381,132	455,274	471,439	699,013	794,539	1,180,858	818,847	439,586	360,837
Restaurant food tax	577,864	510,629	514,019	540,904	541,263	429,096	409,958	340,754	332,144
Other local taxes	152,660	115,720	83,338	93,386	84,397	92,602	102,631	83,040	144,306
	<u>\$ 37,849,195</u>	<u>\$ 37,179,855</u>	<u>\$ 36,429,541</u>	<u>\$ 35,004,616</u>	<u>\$ 30,398,068</u>	<u>\$ 29,579,929</u>	<u>\$ 27,166,759</u>	<u>\$ 34,462,609</u>	<u>\$ 23,242,721</u>

Note: Accrual-basis financial information is available from 2003 forward.

(1) In 2007, the State started collecting these taxes and returned them to the County in the form of communications tax.

TABLE 4

COUNTY OF ORANGE, VIRGINIA

FUND BALANCES – GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
UNAUDITED

	2010	2009	2008	2007	2006	2005	2004	2003	2002
General Fund									
Reserved	\$ -	\$ -	\$ 11,924,047	\$ 10,926,181	\$ 10,299,878	\$ -	\$ -	\$ -	\$ -
Unreserved	17,204,546	15,756,672	6,010,892	7,106,515	8,763,365	21,251,381	18,830,090	9,409,239	8,063,111
Total general fund	<u>\$ 17,204,546</u>	<u>\$ 15,756,672</u>	<u>\$ 17,934,939</u>	<u>\$ 18,032,696</u>	<u>\$ 19,063,243</u>	<u>\$ 21,251,381</u>	<u>\$ 18,830,090</u>	<u>\$ 9,409,239</u>	<u>\$ 8,063,111</u>
All Other Governmental Funds									
Reserved	\$ 10,052,344	\$ 34,667,985	\$ 1,371,161	\$ 2,265,476	\$ 3,427,367	\$ 2,415,367	\$ 1,372,806	\$ -	\$ -
Unreserved, reported in:									
Special revenue fund	487,893	400,645	238,715	126,342	915,799	399,756	581,870	276,989	273,985
Debt services fund	489,312	1,209,197	-	-	-	-	-	-	-
Capital projects fund	2,810,885	3,699,353	21,400,988	4,536,111	5,727,834	4,146,299	7,999,083	30,777,443	332,158
Total all other governmental funds	<u>\$ 13,840,434</u>	<u>\$ 39,977,180</u>	<u>\$ 23,010,864</u>	<u>\$ 6,927,929</u>	<u>\$ 10,071,000</u>	<u>\$ 6,961,422</u>	<u>\$ 9,953,759</u>	<u>\$ 31,054,432</u>	<u>\$ 606,143</u>
	<u>2011</u>								
Post-GASB 54 implementation:									
General Fund									
Assigned	\$ 2,488,194								
Unassigned	17,101,685								
Total general fund	<u>\$ 19,589,879</u>								
All Other Governmental Funds									
Restricted	\$ 2,387,117								
Committed	211,209								
Assigned	2,383,275								
Unassigned	<u>(107,010)</u>								
Total all other governmental funds	<u>\$ 4,874,591</u>								

Note: 2011 was the first year of implementing GASB 54 which revised fund balance classifications.

TABLE 5

COUNTY OF ORANGE, VIRGINIA

CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
UNAUDITED

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
REVENUES										
General property taxes	\$ 32,506,482	\$ 31,547,517	\$ 30,505,130	\$ 28,258,629	\$ 25,565,511	\$ 23,602,447	\$ 21,705,461	\$ 28,630,362	\$ 18,608,288	\$ 17,737,805
Other local taxes	5,693,705	5,579,881	5,738,877	6,288,756	5,185,596	6,280,508	5,568,688	4,924,159	4,636,324	3,900,642
Permits, privilege fees, and regulatory licenses	225,857	171,857	178,415	306,181	550,158	623,031	675,005	465,707	366,971	364,980
Fines and forfeitures	50,182	38,798	260	407	1,956	1,422	1,102	1,049	11,151	2,096
Revenue from use of money and property	354,819	1,974,347	1,006,373	2,089,726	1,414,945	1,285,767	630,817	484,998	841,844	427,588
Charges for services	1,787,930	1,802,764	1,810,104	2,046,676	2,143,200	2,003,316	1,611,450	1,419,993	1,101,903	732,674
Miscellaneous	491,702	580,009	720,399	676,056	195,531	1,508,103	297,771	221,720	304,424	250,355
Recovered costs	2,266,476	214,018	163,170	171,527	60,490	286,981	219,577	299,298	148,211	80,030
Intergovernmental:										
Local government	-	-	-	-	-	36,269	-	-	-	-
Commonwealth	8,988,937	7,669,016	7,288,382	7,004,007	6,692,331	6,966,667	6,174,105	5,895,673	6,093,544	6,132,571
Federal	1,397,853	1,969,839	2,139,213	2,469,225	3,097,288	3,052,524	2,829,826	1,617,530	2,277,068	2,167,139
Total revenues	53,763,943	51,548,046	49,550,323	49,311,190	44,907,006	45,647,035	39,713,802	43,960,489	34,389,728	31,795,880
EXPENDITURES										
General government	2,717,558	2,967,297	3,334,401	2,936,254	2,621,032	2,268,798	1,979,038	1,659,099	1,541,731	1,488,064
Judicial administration	1,402,807	1,386,268	1,485,689	1,407,439	1,283,875	1,174,246	1,099,273	965,949	950,529	939,362
Public safety	9,241,293	9,156,532	9,046,350	8,476,543	8,253,771	6,294,257	5,524,201	4,324,133	3,906,290	3,567,000
Public works	749,891	695,733	932,482	697,084	613,288	2,061,668	1,714,695	1,438,725	1,390,671	1,264,432
Health and welfare	6,066,615	5,247,601	4,550,477	4,482,198	3,774,708	3,492,498	3,516,108	3,458,184	3,035,056	3,178,928
Education	16,357,351	16,863,445	17,726,509	17,148,492	15,406,279	15,352,687	12,380,334	12,994,395	14,304,597	10,327
Parks, recreation, and cultural	1,010,633	1,441,339	1,750,969	2,650,633	2,514,024	2,145,518	1,891,866	1,692,525	1,523,280	1,184,210
Community development	947,721	1,453,749	1,541,267	1,681,742	2,146,077	1,362,168	1,077,812	963,910	1,215,602	828,212
Nondepartmental	79,648	64,989	70,641	1,929	1,386	75,188	22,496	20,485	9,916	12,993
Capital projects	7,642,665	25,991,675	17,978,293	12,756,559	2,447,742	5,611,190	6,330,765	21,895,739	22,058,313	3,584,611
Debt service:										
Principal	5,612,231	4,053,986	3,528,930	3,011,120	2,825,416	3,320,548	2,003,081	3,351,197	3,438,996	255,190
Interest and fiscal charges	4,738,377	3,994,632	2,849,764	2,574,325	2,914,272	2,554,408	2,675,684	2,875,970	2,660,482	206,618
Bond issuance costs	-	-	161,844	636,298	-	-	-	-	-	-
Total expenditures	56,566,790	73,317,246	64,957,616	58,460,616	44,801,870	45,713,174	40,215,353	55,640,311	56,035,463	16,519,947
Excess of revenues over (under) expenditures	(2,802,847)	(21,769,200)	(15,407,293)	(9,149,426)	105,136	(66,139)	(501,551)	(11,679,822)	(21,645,735)	15,275,933
OTHER FINANCING SOURCES (USES)										
Transfers in	9,156,316	9,086,109	8,694,491	9,288,064	6,891,911	6,090,826	4,996,596	3,140,289	3,349,787	1,294,372
Transfers out	(13,046,832)	(12,381,898)	(11,896,447)	(11,774,040)	(9,979,866)	(6,090,826)	(4,996,596)	(3,140,289)	(3,349,787)	(16,920,770)
Bonds issued	-	-	30,550,000	5,220,000	-	15,214,434	-	-	28,046,200	1,300,000
Premium on bonds issued	-	-	2,847,298	280,267	-	773,145	-	-	-	-
Proceeds on capital leases	-	-	-	1,644,968	-	-	-	-	-	-
Refunding of bonds	-	-	-	31,235,000	-	(15,000,000)	-	-	-	-
Discount on lease revenue and refunding bonds	-	-	-	(724,544)	-	-	-	-	-	-
Payment to bond escrow agent	-	-	-	(10,359,432)	-	-	-	-	-	-
Total other financing sources (uses)	(3,890,516)	(3,295,789)	30,195,342	24,810,283	(3,087,955)	987,579	-	-	28,046,200	(14,326,398)
Net change in fund balances	\$ (6,693,363)	\$ (25,064,989)	\$ 14,788,049	\$ 15,660,857	\$ (2,982,819)	\$ 921,440	\$ (501,551)	\$ (11,679,822)	\$ 6,400,465	\$ 949,535
Debt service as a percentage of noncapital expenditures	26.83%	20.80%	15.71%	12.22%	13.55%	14.65%	13.81%	18.45%	17.95%	3.57%

TABLE 6**COUNTY OF ORANGE, VIRGINIA**

GENERAL GOVERNMENT TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
UNAUDITED

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Property tax	\$ 32,506,482	\$ 31,547,517	\$ 30,505,130	\$ 28,258,629	\$ 25,565,510	\$ 23,602,447	\$ 21,705,461	\$ 28,630,392	\$ 18,608,288	\$ 17,737,805
Local sales and use tax	1,740,887	1,679,256	1,825,239	2,065,302	2,102,596	2,073,563	1,941,534	1,835,213	1,685,245	1,555,929
Consumer utility tax	2,086,617	2,050,682	2,091,128	2,174,844	1,087,064	1,003,459	824,666	865,991	836,980	964,532
Consumption tax	101,613	90,711	91,249	88,810	87,131	122,586	78,857	101,583	73,830	70,267
Cable franchise tax (1)	-	-	-	-	71,315	61,553	57,292	51,518	49,605	45,192
E-911 tax (1)	-	-	-	-	188,853	355,080	394,164	362,019	378,939	360,909
Cellular phone tax (1), (2)	-	-	-	-	193,332	313,258	323,304	261,143	212,948	-
Motor vehicle tax	652,932	677,609	662,465	626,497	35,106	648,453	617,435	583,312	561,490	537,583
Taxes on recordation and wills	381,132	455,274	471,439	699,013	794,539	1,180,858	818,847	439,586	360,837	196,502
Restaurant food tax	577,864	510,629	514,019	540,904	541,263	429,096	409,958	340,754	332,144	91,669
Other local taxes	152,660	115,720	83,338	93,386	84,397	92,602	102,631	83,040	144,306	78,059
	<u>\$ 38,200,187</u>	<u>\$ 37,127,398</u>	<u>\$ 36,244,007</u>	<u>\$ 34,547,385</u>	<u>\$ 30,751,106</u>	<u>\$ 29,882,955</u>	<u>\$ 27,274,149</u>	<u>\$ 33,554,551</u>	<u>\$ 23,244,612</u>	<u>\$ 21,638,447</u>

(1) In 2007, the State started collecting these taxes and returned them to the County in the form of communications tax.

(2) 2003 was the first year the County collected this tax.

TABLE 7

COUNTY OF ORANGE, VIRGINIA

**ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
UNAUDITED**

Fiscal Year	Real Estate (1)	Personal Property (3)	Business Equipment (8)	Mobile Homes	Machinery and Tools (3)	Merchants' Capital	Farm Machinery (4,6)	Airplanes (4)	Boats (5)	Public Service (2)	Total Taxable Assessed Value
2011	\$ 5,623,888,500	\$ 238,198,946	\$ 30,992,750	\$ 5,857,655	\$ 46,108,840	\$ 34,275,835	\$ -	\$ 3,764,875	\$ 12,744,630	\$ 146,526,405	\$ 6,142,358,436
2010	5,601,842,400	227,694,111	32,970,619	6,142,616	51,910,995	38,197,251	-	3,814,495	9,737,873	141,014,893	6,113,325,253
2009	5,567,913,400	351,899,437	-	6,073,710	62,542,275	38,635,793	-	3,711,290	11,582,732	135,209,462	6,177,568,099
2008	5,447,028,351	324,623,641	-	6,376,260	67,804,289	38,535,558	-	3,403,890	9,652,980	138,595,709	6,036,020,678
2007	2,297,694,000	303,837,917	-	7,391,460	59,068,436	37,568,681	-	3,688,380	9,291,537	70,611,891	2,789,152,302
2006	2,147,581,100	274,370,387	-	7,604,983	60,500,467	34,972,515	-	2,136,935	8,162,686	105,125,010	2,640,454,083
2005	2,030,918,100	241,849,727	-	7,839,828	56,029,585	34,901,761	-	1,248,935	7,377,229	119,547,772	2,499,712,937
2004	1,126,450,400	238,340,298	-	8,229,190	60,485,416	34,456,222	-	1,294,555	7,131,398	120,493,960	1,596,881,439
2003	954,336,310	227,399,469	-	8,164,670	69,101,175	29,936,736	7,529,625	1,499,940	-	101,918,634	1,399,886,559
2002	920,966,410	88,755,039	-	7,501,740	23,971,220	31,433,053	-	-	-	103,579,420	1,176,206,882

(1) Real estate is assessed at 100% of fair market value.

(2) Assessed values are established by the State Corporation Commission.

(3) Personal property is assessed at 100% of fair market value as of January 1, 2002, prior assessments at 40% of fair market value.

(4) Property not taxed prior to January 1, 2002.

(5) Property not taxed prior to January 1, 2003.

(6) Board of Supervisors voted to no longer tax during the 2003-04 fiscal year.

(7) Property not taxed prior to January 1, 2005.

(8) Property was included in personal property prior to 2009.

Source: Commissioner of Revenue

TABLE 8

COUNTY OF ORANGE, VIRGINIA

PROPERTY TAX RATES (1)
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS
UNAUDITED

Direct Rates												
Fiscal Years	Real Estate	Personal Property (2)	Mobile Homes	Machinery and Tools (2)	Merchants' Capital	Farm Machinery	Business Equipment	Heavy Equipment	RVs	Airplanes	Boats	Logging Equipment
2011	0.490	3.270	0.490	1.831	0.400	-	2.20	2.20	2.09	0.700	2.090	-
2010	0.490	3.270	0.490	1.831	0.400	-	2.20	2.20	2.09	0.700	2.090	-
2009	0.470	3.270	0.470	1.831	0.400	-	2.20	-	-	0.700	2.090	-
2008	0.470	2.200	0.470	1.831	0.400	-	-	-	-	0.550	1.650	-
2007	0.420	2.200	0.420	1.831	0.400	-	-	-	-	0.550	1.650	-
2006	0.870	2.200	0.870	1.831	0.400	-	-	-	-	0.550	1.650	-
2005	0.840	2.200	0.840	1.831	0.400	-	-	-	-	0.550	1.650	0.920
2004	0.840	2.200	0.840	1.831	0.400	-	-	-	-	0.550	1.650	-
2003	0.810	2.200	0.810	1.831	0.400	2.200	-	-	-	2.200	1.650	-
2002	0.870	2.200	0.870	1.831	0.400	2.200	-	-	-	2.200	2.200	-

(1) Per \$100 of assessed value

(2) In fiscal year 2003, assessments for personal property taxes changed from 40% to 100% of value base.

TABLE 9

COUNTY OF ORANGE, VIRGINIA

PRINCIPAL PROPERTY TAXPAYERS

CURRENT YEAR AND NINE YEARS AGO

UNAUDITED

Taxpayer	Type of Business	2011		Percentage of Total Taxable Assessed Value	2002		Percentage of Total Taxable Assessed Value
		Assessed Value (1)	Rank		Assessed Value (1)	Rank	
Aerojet General Corp	Manufacturing	\$23,243,600	1	25.10%	\$10,573,000	2	15.67%
Holtzbrinck Publishers	Book Distributor	19,308,900	2	20.85%	22,656,600	1	33.59%
Orange Village	Shopping Center	9,429,300	3	10.18%	4,885,500	4	7.24%
Barboursville Corporation	Winery	7,648,100	4	8.26%	2,614,600	10	3.88%
American Woodmark	Manufacturing	6,725,400	5	7.26%	3,663,500	6	5.43%
PMC Distribution	Manufacturing	5,887,300	6	6.36%	-	n/a	0.00%
Angela's Properties	Housing	5,330,500	7	5.76%	-	n/a	0.00%
General Shale	Manufacturing	5,500,100	8	5.94%	3,423,900	7	5.08%
Schooler Prop of Wilderness	Shopping Center	4,872,800	9	5.26%	-	n/a	0.00%
Oakbrook Terrace	Housing	4,661,000	10	5.03%	3,911,500	5	5.80%
One America Place	Manufacturing	-	n/a	0.00%	3,359,900	8	4.98%
Liberty Fabrics	Textile Mfg.	-	n/a	0.00%	9,102,200	3	13.49%
Private Property Owner	Individual	-	n/a	0.00%	3,261,500	9	4.84%
		<u>\$92,607,000</u>		<u>100.00%</u>	<u>\$67,452,200</u>		<u>100.00%</u>

Note: Companies/entities with no amounts were not in the top ten for that year.

Source: Commissioner of Revenue

(1) Amounts provided for real estate assessments only.

TABLE 10

COUNTY OF ORANGE, VIRGINIA

**PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
UNAUDITED**

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Total Collections to Date	
		Amount	Percentage of Levy	Amount	Percentage of Levy
2011	\$ 34,158,563	\$ 31,299,234	91.63%	\$ 31,299,234	91.63%
2010	31,189,040	30,128,613	96.60%	30,771,380	98.66%
2009	31,114,223	29,624,406	95.21%	30,616,453	98.40%
2008	28,931,323	28,369,702	98.06%	28,670,568	99.10%
2007	25,148,884	24,720,477	98.30%	25,021,344	99.49%
2006	23,323,620	22,722,591	97.42%	23,079,524	98.95%
2005	21,643,012	21,022,481	97.13%	21,409,196	98.92%
2004	31,352,454	30,334,042	96.75%	31,246,113	99.66%
2003	20,899,564	20,395,286	97.59%	20,839,949	99.71%
2002	19,950,271	19,426,446	97.37%	19,905,239	99.77%

Source: Commissioner of Revenue, County Treasurer's Office

COUNTY OF ORANGE, VIRGINIA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year	Governmental Activities				Total Primary Government	Percentage of Personal Income (1)	Debt Per Capita (1)
	General Obligation Bonds	Literary Fund Loans	Other Notes/ Bonds	Capital Leases			
2011	\$ 68,434,475	\$ -	\$ 28,909,934	\$ 1,205,537	\$ 98,549,946	0.00%	2,847
2010	73,209,104	-	29,589,064	1,657,766	104,455,934	10.23%	3,061
2009	76,354,106	-	29,836,524	2,136,850	108,327,480	10.93%	3,269
2008	45,920,518	-	29,997,222	2,594,984	78,512,724	8.25%	2,383
2007	43,021,209	-	9,900,000	894,582	53,815,791	5.94%	1,715
2006	45,569,781	-	9,900,000	1,281,452	56,751,233	6.83%	1,937
2005	32,543,400	-	24,900,000	1,640,802	59,084,202	7.11%	2,017
2004	34,148,800	43,800	24,900,000	1,977,483	61,070,083	7.50%	2,128
2003	37,141,200	87,100	24,900,000	2,292,980	64,421,280	8.80%	2,326
2002	35,420,000	130,400	1,675,000	2,588,677	39,814,077	5.62%	1,464

Note: Details regarding the County's outstanding debt can be found in the notes to the financial statements.

(1) See the Schedule of Demographic and Economic Statistics – Table 13

TABLE 12

COUNTY OF ORANGE, VIRGINIA

**RATIO OF NET GENERAL BONDED DEBT TO
ASSESSED VALUE AND NET BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS
UNAUDITED**

Fiscal Year Ended June 30	Gross Bonded Debt	Less: Amounts Reserved for Debt Service	Net Bonded Debt	Ratio of Net General Obligation Debt to Assessed Value	Net Bonded Debt per Capita (1)
2011	\$ 97,344,409	\$ -	\$ 97,344,409	0.00%	\$ -
2010	102,404,572	489,312	101,915,260	1.67%	2,986
2009	106,190,630	1,209,197	104,981,433	1.72%	3,168
2008	75,917,740	1,371,161	74,546,579	1.21%	2,263
2007	52,921,209	2,265,476	50,655,733	0.76%	1,614
2006	55,469,781	3,427,367	502,042,414	1.89%	1,776
2005	57,443,400	2,415,367	55,028,033	2.16%	1,878
2004	59,092,600	1,372,806	57,719,794	2.40%	2,011
2003	62,128,300	-	62,128,300	3.00%	2,243
2002	37,225,400	-	37,225,400	2.04%	1,369

(1) Population data can be found in the Schedule of Demographic and Economic Statistics - Table 13

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

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

TABLE 13

COUNTY OF ORANGE, VIRGINIA
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30	Population	Personal Income	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
2011	34,620	N/A	\$ 33,124	43	5,028	6.80%
2010	34,127	\$ 1,020,943,332	29,916	40-44.8	5,112	7.70%
2009	33,139	991,386,324	29,916	40-44.8	5,077	3.20%
2008	32,942	951,101,424	28,872	40-44.8	4,411	2.90%
2007	31,387	906,205,464	28,872	40-44.9	4,411	2.90%
2006	29,300	830,772,200	28,354	40-44.9	4,616	2.80%
2005	29,300	830,772,200	28,354	40-44.9	4,616	2.80%
2004	28,700	813,759,800	28,354	40-44.9	4,298	3.10%
2003	27,700	732,166,400	26,432	40-44.9	4,090	3.80%
2002	27,200	708,668,800	26,054	40-44.9	3,988	4.40%

Source: Weldon Cooper Center, Annual school report – prepared by the County, www.fedstats.gov

TABLE 14

COUNTY OF ORANGE, VIRGINIA
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

Employer	2011			2002		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Orange County Nursing Home/ Dogwood Village	297	1	1.95%	-		0.00%
MPS	290	2	1.90%	287		2.23%
Battlefield Farms	200	3	1.31%	118		0.92%
American Woodmark Corporation	154	4	1.01%	293		2.27%
Aerojet General Corporation	148	5	0.97%	-		0.00%
Ridgid Tool Manufacturing	135	6	0.89%	194		1.51%
PBM Products, LLC a Perrigo Co	124	7	0.81%	85		0.66%
Food Lion	120	8	0.79%	-		0.00%
Germanna Community College	118	9	0.77%	-		0.00%
McDonalds	105	10	0.69%	-		0.00%
Klockner-Intertrans Carrier	82	11	0.54%	73		0.57%
Zamma Corporation	78	12	0.51%	90		0.70%
American Press	-		0.00%	214		1.66%
AB& C Group	-		0.00%	117		0.91%
Hafner	-		0.00%	56		0.43%
	<u>1,851</u>		<u>12.14%</u>	<u>1,527</u>		<u>11.86%</u>
Total County Employment	15,239			12,886		

Source: Orange County Economic Development Dept. and Virginia Employment Commission

TABLE 15

COUNTY OF ORANGE, VIRGINIA
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS
UNAUDITED

Function	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Public safety										
Sheriffs department: (1)										
Physical arrests	N/A	840	847	996	1,059	331	976	945	917	871
Traffic violations	N/A	3,320	3,260	2,294	1,328	320	1,894	1,889	1,636	1,696
Civil papers	N/A	11,051	11,920	11,648	11,361	3,893	11,068	11,977	11,204	11,086
Fire and rescue:										
Number of calls answered	5,463	5,696	4,686	5,385	5,281	4,174	5,248	5,131	5,477	5,354
Building inspections:										
Permits issued	633	679	675	985	1,207	980	1,514	1,240	1,088	968
Animal control:										
Number of calls answered (1)	N/A	1,213	658	767	947	8,370	25,162	21,508	22,161	23,619
Public works										
General maintenance:										
Trucks/vehicles	3	3	3	16	15	15	13	12	12	10
Landfill:										
Refuse collected (tons/day)	33,269	35,946	44,914	47,762	76,656	71,866	56,600	44,211	38,583	28,980
Recycling (tons/day)	1,561	2,076	2,343	4,035	N/A	881	876	N/A	N/A	N/A
Health and welfare										
Department of Social Services:										
Caseload	N/A	3,466	4,035	N/A	N/A	3,084	2,700	3,003	2,077	N/A
Culture and recreation										
Parks and recreation:										
After-school program participants	196	177	-	461	379	360	315	274	226	221
Youth sports participants	456	439	364	1,864	1,139	866	1,262	915	938	792
Community development										
Planning:										
Zoning permits issued	252	355	337	497	764	695	1,276	1,079	831	784
Component Unit-- School Board										
Education:										
School age population	5,028	5,112	5,103	5,041	4,900	N/A	4,616	4,298	4,090	3,988
Number of teachers	346	391	388	386	390	N/A	347	316	314	294
Local expenditures per pupil	3,216	n/a	3,458	3,418	3,280	N/A	3,006	3,388	3,078	3,033
Employee Population										
General administration	31	38	35	38	N/A	N/A	N/A	N/A	N/A	N/A
Judicial administration	16	23	23	23	N/A	N/A	N/A	N/A	N/A	N/A
Public safety	93	126	114	109	N/A	N/A	N/A	N/A	N/A	N/A
Public works	8	8	6	8	N/A	N/A	N/A	N/A	N/A	N/A
Health and welfare	-	3	2	3	N/A	N/A	N/A	N/A	N/A	N/A
Education	-	-	-	-	N/A	N/A	N/A	N/A	N/A	N/A
Parks, recreation, and cultural	35	62	58	90	N/A	N/A	N/A	N/A	N/A	N/A
Community development	9	10	10	13	N/A	N/A	N/A	N/A	N/A	N/A
Non-departmental	-	-	-	-	N/A	N/A	N/A	N/A	N/A	N/A
Airport	4	4	4	5	N/A	N/A	N/A	N/A	N/A	N/A
Landfill	33	36	34	36	N/A	N/A	N/A	N/A	N/A	N/A

Source: Individual county departments

(1) Statistics available on calendar year, rather than fiscal year.

COMPLIANCE SECTION

**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**

Honorable Members of Board of Supervisors
County of Orange, Virginia

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Orange, Virginia, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 5, 2011. 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 *Specifications for Audits of Counties, Cities, and Towns* and *Specifications for Audits of Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. **However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.**

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. **We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Items 11-01 and 11-02 to be material weaknesses.**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. **The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are reported as Items 11-04 through 11-06 in the accompanying schedule of findings and questioned costs.**

We noted certain other matters that we reported to management of the County in a separate letter dated December 5, 2011.

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

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

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
December 5, 2011

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

Honorable Members of Board of Supervisors
County of Orange, Virginia

Compliance

We have audited the compliance of the County of Orange, Virginia with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, the County 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, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as Item 11-03.

Internal Control over Compliance

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

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. **We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.**

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's responses and, according, we express no opinion on the responses.

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

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
December 5, 2011

COUNTY OF ORANGE, VIRGINIA
SUMMARY OF COMPLIANCE MATTERS
June 30, 2011

As more fully described in the 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*, we performed tests of the County's compliance with certain provisions of laws, regulations, contracts, and grants shown below:

STATE COMPLIANCE MATTERS

Code of Virginia:

Budget and Appropriation Laws
Cash and Investment Laws
Conflicts of Interest Act
Debt Provisions
Local Retirement Systems
Procurement Laws
Uniform Disposition of Unclaimed Property Act
Comprehensive Services Act
Sheriff Internal Controls

State Agency Requirements:

Education
Social Services

FEDERAL COMPLIANCE MATTERS

U.S. Office of Management and Budget (OMB Circular A-133) Compliance Supplement

Provisions and conditions of agreements related to federal programs selected for testing.

COUNTY OF ORANGE, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Federal Expenditures
Department of Health and Human Services:		
Direct Payments:		
Headstart Program	93.600	\$ 965,582
ARRA-Head start (Head Start Cluster)	93.708	496,996
Pass Through Payments:		
Department of Social Services:		
Promoting Safe and Stable Families	93.556	13,944
Temporary Assistance to Needy Families (TANF)	93.558	179,591
Refugee and Entrant Assistance – Discretionary Grants	93.566	321
Low Income Home Energy Assistance	93.568	14,589
Child Care and Development Block Grant (Child Care Cluster)	93.575	165,428
Child Care Mandatory and Matching funds of the Child Care and Development Fund (Child Care Cluster)	93.596	110,615
ARRA-Child Care and Development Block Grant (Child Care Cluster)	93.713	7,736
Child Welfare Services – State Grants	93.645	632
Foster Care – Title IV-E (Foster Care Cluster)	93.658	287,569
ARRA-Foster Care – Title IV-E (Foster Care Cluster)	93.658	12,710
Adoption Assistance (Adoption Assistance Cluster)	93.659	47,109
ARRA-Adoption Assistance – (Adoption Assistance Cluster)	93.659	2,125
Social Services Block Grant	93.667	108,409
Chafee Foster Care Independence Program	93.674	5,252
Children’s Health Insurance Program	93.767	6,648
Medical Assistance Program	93.778	130,399
Total Department of Health & Human Services – pass through		1,093,077
Total Department of Health and Human Services		2,555,655
Department of Agriculture:		
Pass Through Payments:		
Food Distribution – Schools (Child Nutrition Cluster)	10.555	140,214
Food Distribution – Summer Feeding Program (Child Nutrition Cluster)	10.559	480
Department of Education:		
National school breakfast program (Child Nutrition Cluster)	10.553	189,325
National school lunch program (Child Nutrition Cluster)	10.555	708,661
Child Nutrition Discretionary Grants Limited Availability	10.579	16,310
Department of Social Services:		
State Administration:		
SNAP Cluster:		
Matching Grants for Supplemental Nutrition Assistance Program	10.561	220,842
Total Department of Agriculture		1,275,832

(Continued)

COUNTY OF ORANGE, VIRGINIA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2011**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Federal Expenditures
Department of the Interior:		
Direct payments:		
Bureau of Land Management:		
Payments in Lieu of Taxes	15.226	4,155
Department of Justice:		
Pass Through Payments:		
Department of Criminal Justice Service:		
ARRA-Edward Byrne Memorial justice assistance grant program/grants to units of local government	16.804	\$ 12,515
Total Department of Justice		12,515
Department of Transportation:		
Direct Payments:		
Airport Improvement Program	20.106	6,819
Pass Through Payments:		
Department of Motor Vehicles:		
State and community highway safety program	20.600	22,040
Total Department of Transportation		28,859
Department of Homeland Security		
Pass Through Payments:		
Department of Emergency Services:		
FEMA Disaster Assistance	97.036	13,586
Byrne grant	16.579	12,515
Assistance to firefighters grant	97.044	31,745
Total Department of Homeland Security		57,846
Pass Through Payments:		
Department of Education:		
Adult Education – Basic Grants to States	84.002	140,159
Title I grants to local educational agencies (Title I Part A Cluster)	84.010	983,842
ARRA-Title I grants to local educational agencies (Title I Part A Cluster)	84.389	90,129
School Improvements Grants	84.377	202,022
Special Education – Grants to States (Special Education Cluster)	84.027	827,589
ARRA-Special Education – Grants to State (Special Education Cluster)	84.391	707,977
Career and Technical Education: Basic grants to states	84.048	69,863
Special Education – preschool grants (Special Education Cluster)	84.173	23,544
ARRA-Special Education – preschool grants (Special Education Cluster)	84.392	35,054
Safe and Drug Free Schools and Communities – State Grants	84.186	5,298
Education and Technology State Grants	84.318	7,987
ARRA- Education and Technology State Grants	84.386	16,743
English language acquisition grants	84.365	16,797
State Fiscal Stabilization Fund – Educational State Grants – ARRA	84.394	994,390
Improving Teacher Quality State Grants	84.367	141,198
Total Department of Education		4,262,592

(Continued)

COUNTY OF ORANGE, VIRGINIA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2011**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Federal Expenditures
Department of Defense:		
Direct Payments:		
ROTC language and culture training grants	12.357	\$ 63,282
Total Expenditures of Federal Awards		<u>\$ 8,260,736</u>

NOTE 1 – BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards is presented on the modified accrual basis of accounting, as described in Note 1 to the County's basic financial statements.

The information presented in this schedule is presented in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the County's CAFR.

NOTE 2 – FOOD DISTRIBUTION:

The County of Orange participates in the National School Lunch Program, CFDA number 10.555, which provides non-cash benefits. The accompanying schedule of expenditures of federal awards includes nonmonetary assistance reported as the fair market value of the commodities received and disbursed.

COUNTY OF ORANGE, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2011

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an **unqualified opinion** on the financial statements.
2. **Two significant deficiencies** relating to the audit of the financial statements is reported in the 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*. **Items 11-01 and 11-02 were determined to be material weaknesses.**
3. **No instances of noncompliance** material to the financial statements were disclosed during the audit.
4. **No significant deficiencies** relating to the audit of the major federal award programs were reported in the Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs expresses an **unqualified opinion**.
6. The audit disclosed **one audit finding** relating to major programs.
7. The programs tested as major programs include:

<u>Name of Program:</u>	<u>CFDA #</u>
Headstart Cluster	93.600
Headstart – ARRA	93.708
School Nutrition Cluster	10.553, 10.555, 10.559
Special Education Cluster	84.027, 84.173
Special Education Cluster – ARRA	84.391, 84.392
State Fiscal Stabilization Fund (SFSF) – Educational State Grants – ARRA	84.394

8. The **threshold** for distinguishing Type A and B programs was **\$300,000**.
9. The County was **not determined to be a low-risk auditee**.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

11-01: Segregation of Duties (Material Weakness)

Condition:

A fundamental concept of internal controls is the separation of duties. No one employee should have access to both physical assets and the related accounting records, or to all phases of a transaction. A proper segregation of duties has not been established in functions related to payroll, accounts payable, accounts receivable, cash disbursements, and journal entries.

Recommendation:

Steps should be taken to eliminate performance of conflicting duties where possible or to implement effective compensating controls.

Management's Response:

The auditee concurs with this recommendation.

COUNTY OF ORANGE, VIRGINIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2011**

B. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)

11-02: Adjustments – (Material Weakness)

Condition:

A number of adjustments were necessary for the financial statements to be in compliance with generally accepted accounting principles. The adjustments related to improper accounting for capital assets, unrecorded payables, unrecorded receivables, unrecorded FICA on compensated absences, unrecorded sick leave, errors in amounts due for landfill closure, and errors in other post-employment benefit calculations. The items noted above cause adjustments to both current and prior period financial statements. Some of the adjustments were due to improper conclusions reached regarding the nature of the transactions by both prior County Finance staff and the prior auditors.

Recommendation:

Management should develop policies and procedures to address these weaknesses in internal controls. Recommendations include the following:

- The Finance Department should review all County, School Board, and EDA board minutes to identify transactions that might have accounting implications.
- Supporting documents for account balances should be reviewed and approved by someone other than the preparer.
- Consider purchasing additional research sources to help identify proper accounting treatment.

Management's Response:

The auditee concurs with the recommendation.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

11-03: Headstart – CFDA 93.600

Condition:

We noted that the Federal Financial Report was not filed by the April 30, 2011 deadline.

Recommendation:

Procedures should be implemented to ensure that all reports are filed timely.

Management's Response:

The auditee concurs with the recommendation.

COUNTY OF ORANGE, VIRGINIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2011**

D. FINDINGS – COMMONWEALTH OF VIRGINIA

11-04: Disclosure Statements

Condition:

One disclosure statement out of the thirty-four reviewed at the School Board was not filed by the January 18, 2011 deadline.

Recommendation:

Procedures should be implemented to ensure that all disclosure statements are filed timely.

Management's Response:

The auditee concurs with the recommendation.

11-05: Memorandum of Agreement

Condition:

It was noted that the Department of Social Services does not have a signed Memorandum of Agreement related to Information Technology with the Virginia Department of Social Services as required.

Recommendation:

A Memorandum of Agreement should be executed, signed, and kept on file.

Management's Response:

The auditee concurs with the recommendation.

11-06: Security Awareness and Training

Condition:

Within the Department of Social Services there was no evidence that each Security Officer completed the current year Security Officer Training. In addition, there was no evidence that each user has a current year Best Practices Certificate.

Recommendation:

Security Officers should receive training each year and receive a Security Training Best Practices Certificate and a Security Officer Training Certificate.

Management's Response:

The auditee concurs with the recommendation.

COUNTY OF ORANGE, VIRGINIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2011

A. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

10-1: Highway Planning and Construction – CFDA 20.205

Condition:

The County was not performing subrecipient monitoring in regards to During the Award Monitoring and Subrecipient Audits. The County did not monitor subrecipient use of federal funds to provide reasonable assurance that the subrecipient administered federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements. Additionally, the County did not ensure that the subrecipient had met the audit requirements of OMB Circular A-133.

Recommendation:

The County should put procedures in place to allow the County to monitor subrecipients of federal awards to ensure the subrecipient is in compliance with the laws, regulations, and the provisions of contracts or grant agreements and to ensure that the subrecipient has met the audit requirements of OMB Circular A-133.

Current Status:

We did not detect a similar finding in the current year.