

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2017



Orange County, Virginia

COUNTY OF ORANGE, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2017

PREPARED BY
FINANCE DEPARTMENT
ORANGE, VIRGINIA

COUNTY OF ORANGE, VIRGINIA

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INTRODUCTORY SECTION

ORANGE COUNTY, VIRGINIA

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November 27, 2017

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

It is my pleasure to submit to you the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2017. This report has been prepared in accordance with Section 15.2-2503 of the *Code of Virginia*, 1950, as amended. The report is designed to present fairly the respective financial position of the government activities, business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County in all material respects, and to demonstrate compliance with applicable finance-related legal and contractual provisions.

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.

PBMares, LLP, a firm of licensed certified public accountants, has audited and issued an unmodified "clean" opinion on the financial statements of Orange County for the fiscal year ended June 30, 2017. The Independent Auditor's 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 35,836. 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 1,583) and Orange (population 5,053), which are two of the main centers of commercial and industrial activity. The Route 3 Corridor in the eastern end of the County is also a commercial center. A planned residential community known as the Lake of the Woods is located on this corridor 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. 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, five elementary schools and one primary school. The average daily membership for the purpose of establishing the amounts of state school aid for school year 2015-2016 was 4,840. This represents a decrease of one hundred twenty-nine 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."*

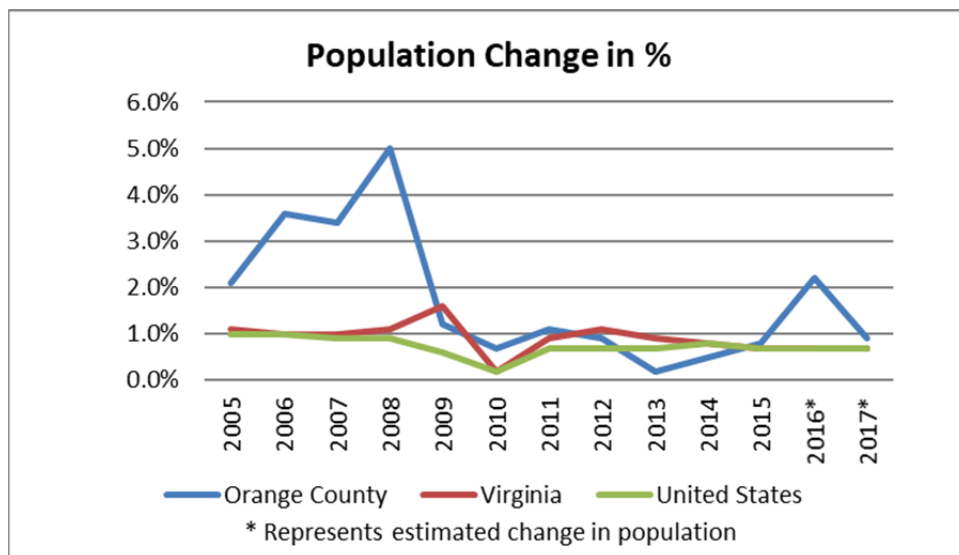
The Economic Development Authority (EDA) is a component unit of the County and has the power to issue tax-exempt industrial development revenue bonds to qualifying enterprises wishing to utilize that form of financing. Those bonds represent limited obligations of the EDA to be repaid solely from the 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.

On April 26, 2016, the Board of Supervisors adopted a resolution authorizing the creation of the Orange County Broadband Authority, another component unit of the County. The Broadband Authority was created to facilitate the provision of affordable broadband service to businesses, governmental agencies, and the public. Access to affordable, reliable high-speed broadband, particularly in the rural geography of the County, is important for fostering economic development, improving educational opportunities, ensuring public safety, and enhancing the overall quality of life for the citizens of Orange County.

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 the County's Comprehensive Plan, Strategic Plan, Capital Improvement Plan and other 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. The legal level of budgetary control (the level at which management cannot adjust the budget without the approval of the governing body) is the functional level. Functional categories include General Government Administration, Judicial Administration, Public Safety, Public Works, Health & Welfare, Education, Parks, Recreation & Culture, and Community Development.

Economic Conditions and Outlook

The local economy continued to improve in fiscal year 2017. A major driver of the County's economy during the 2000's was population growth with many new residents moving in to enjoy the County's rural and picturesque location and proximity to the markets of Richmond, Charlottesville, Culpeper, Fredericksburg, and the Washington D.C./Northern Virginia metropolitan area. As indicated in the following chart, Orange County's population growth between 2001 and 2009 was well above the state and national rates and growth in the commercial and service sectors of the economy accompanied the new residents. As the general economy slowed, so did the in-migration and the most recent estimates now indicate Orange County's population growth is only slightly above the state and national rates.



Because tourism has become a rapidly-growing component of the County's economy, during fiscal year 2015 a study was conducted by Mangum Economics to measure the local economic impact of the industry. Orange County is home to a number of historical sites, vineyards and agritourism businesses which have flourished during the past decade. The study revealed that, in 2013, tourism contributed \$17.5 million in labor income and \$56.1 million in local economic output to Orange County's economy. In addition, tourism activity was responsible for generating \$5.9 million in additional state and local tax revenue and \$6.7 in federal tax revenue for a total of \$12.6 million in overall tax revenue. Of that total, approximately \$2.8 million is comprised of local tax revenue that is collected by Orange County. The analysis revealed that tourism directly contributed a total of 616 jobs within the County. The Mangum Economics study concluded that local tourism-related businesses can play a particularly useful role in rounding out the economic development strategies of rural communities such as Orange County. Tourism businesses can accomplish this by creating and aiding in the retention of jobs, increasing economic diversity, taking advantage of existing rural and agricultural assets, generating new business opportunities for complimentary products and services, providing entry level positions which develop soft skills in first-time workers, and fostering the development of critical customer and local supplier networks.



James Madison's Montpelier

Orange County's largest tourist attraction is Montpelier, a 2,650-acre estate which was the lifelong home of James Madison. The estate was originally settled by James Madison's grandfather in the 1720s, and later served as an encampment for Civil War soldiers. In 1901, Montpelier was purchased by William duPont, a leading industrialist, and remained in the duPont family for most of the 20th century. Marion DuPont Scott and her brother, William, transformed the estate into one of the nation's leading equestrian estates and played an important role in establishing and promoting racing on the flat and steeple chasing in America.

Following Mrs. Scott's death, and in accordance with her bequest, ownership of Montpelier was transferred to the National Trust for Historic Preservation which later established The Montpelier Foundation. In 2003, the Montpelier Foundation began restoration of the property to the 1820s home that James and Dolley Madison called home. Today, the home offers a window into the life and legacy of the Madisons, and a place of education where visitors, scholars and educators can explore the ideas of the Father of the Constitution and fourth president of the United States. The estate currently receives over 125,000 visitors a year and continues to also host the annual Montpelier Hunt Races.

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 two greenhouse facilities that supply a national retail chain, six wineries, and a laboratory specializing in natural pesticides and herbicides that have no adverse impact on the environment.

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, adhesive bonding, and rocket propulsion systems.

During fiscal year 2017, Lohmann Specialty Coating celebrated the opening of a new facility that was part of a \$6.7 million expansion that is expected to create 50 new jobs over a five-year period. Lohmann Specialty Coatings has been a world-wide pioneer in the adhesive industry since 1938 and manufactures high-end adhesive bonding materials for clients such as Abbott, BMW, and Bosch Siemens. The expansion was incentivized by both the Virginia Economic Development Partnership (VEDP) and Orange County Economic Development Authority.



Lohmann Specialty Coatings

To attract new businesses from targeted industries, Orange County has begun working to make sites for businesses more marketable. There are two site preparation projects currently in progress. Orange County received a grant from the VEDP's Business Ready Sites Program to begin geotechnical engineering work on a 147-acre parcel located on the eastern end of the County. Once complete, the economic development office will be able to determine best placement of pad ready sites that will help to attract new business investment. The findings will be incorporated into the Germanna-Wilderness Area Plan.

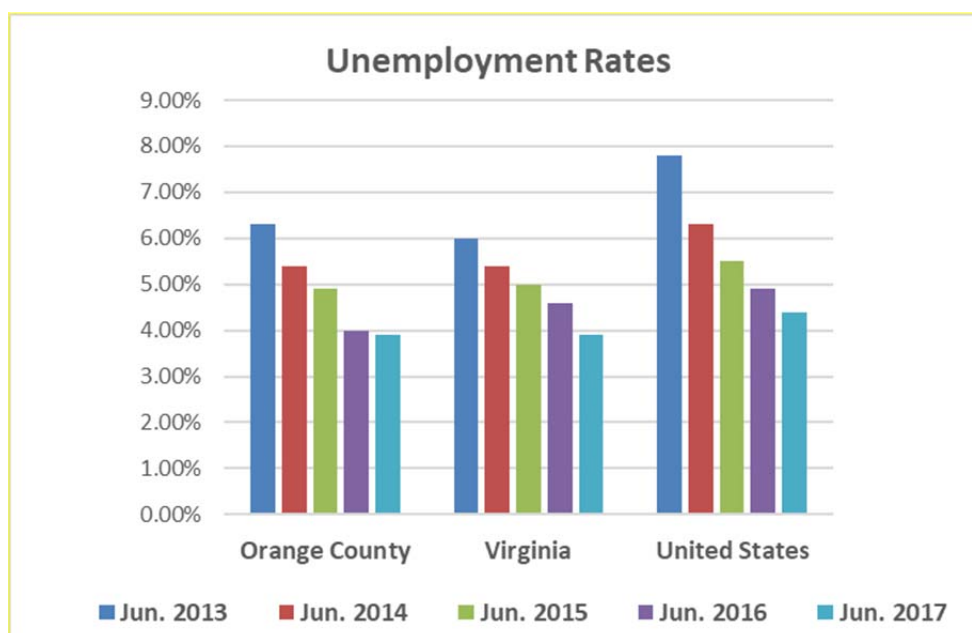


Thomas E. Lee Industrial Park

The Thomas E. Lee Industrial Park is also having site preparation work performed. To determine the amount of development that can occur in the park, geotechnical work on the storm water detention pond is underway. Once the work is completed and report delivered, the economic development team will know exactly how much development can take place within the park.

Following the recommendations presented in the Growth and Diversification Plan as part of the GO Virginia Initiative, the Orange County Economic Development Authority obtained ownership of a 17-acre parcel in the northeastern portion of the park. Having ownership of the site allows for more flexibility in site preparation, which will ultimately make it more marketable to prospective businesses.

The Orange Workforce Center was established to assist job seekers and employers and works with an average of 175 citizens per month. Unemployment rates in the County rose during the recession, but have now declined along with state and national rates. 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, 2017, of 3.9%; identical to the state average of 3.9%, and below the national unemployment rate of 4.3%.

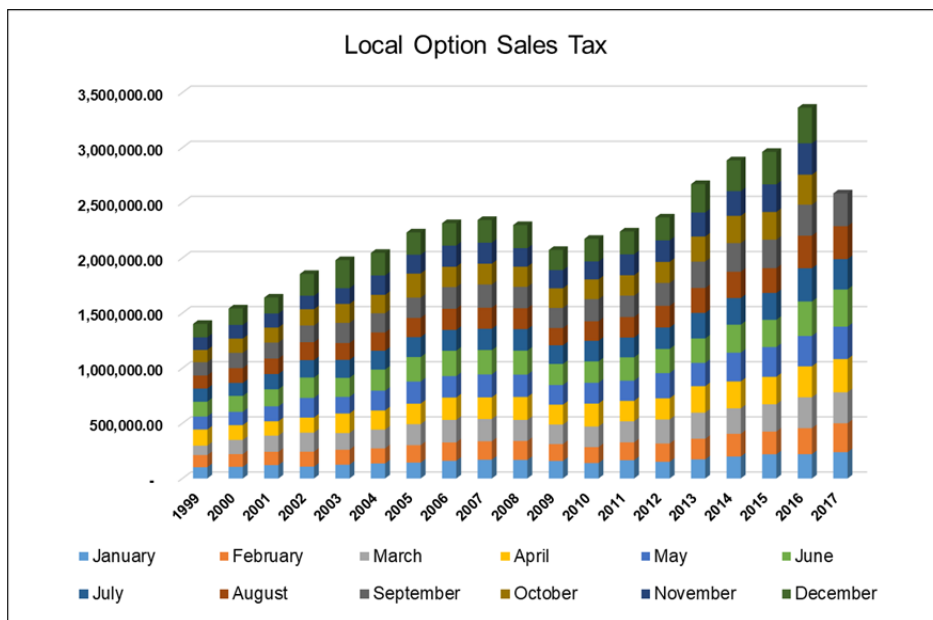


According to the Bureau of Economic Analysis, in 2015 (the most recent year available), Orange County per capita personal income rose by 4.0% over the previous year compared to the state-wide increase of 3.9%. The national increase in per capita personal income was 3.7%.

Despite a general reassessment of real estate effective January 1, 2016, the taxable assessed value of real property in the County increased by only 0.7% for the 2016 tax year. All of the personal property taxes and one-half of the real estate property taxes for 2016 were billed during fiscal 2017. Regular personal property values, which includes automobiles, increased by 4.5%. Machinery and Tools assessed values increased by 3.8% as new investments were made in this category by local industries. Business and Heavy Equipment values decreased slightly by 1.8%. Merchants Capital assessed values increased by 5.9% for the 2016 tax year, and assessed values for RVs and Campers increased by approximately 8.5% over the prior year. Total 2016 assessed values for Aircraft decreased by 27.4% and the assessed values for Boats decreased by 9.8%. Total property assessments for all property types increased by .67% and .96% for tax years 2015 and 2016 respectively. For 2017, total property assessments increased by 1.45%.

The decrease in 2016 assessed values for Aircraft reflects the fact that several other neighboring localities with airports recently reduced their property tax rates on aircraft. As an economic development strategy, the personal property tax on aircraft was eliminated in Orange County as part of the fiscal year 2016-2017 approved budget. The Orange County Airport had been at a competitive disadvantage to recruit and locate new aircraft at the airport due to the continued assessment of the tax. Other nearby localities with comparable airfields which have no or a de minimis personal property tax levy on aircraft include Culpeper, Fredericksburg, Warrenton, Leesburg, and Manassas. Louisa County's personal property tax rate for aircraft is \$0.48 per \$100 of assessed value. It is anticipated that T-hanger and tie-down rentals at the Orange County Airport will increase by the elimination of the tax and by extension, fuel sales and service work at the airport should increase as well. The 2017 assessed values for Aircraft have increased by 14.4% over 2016 values reflecting the fact that three additional aircraft are now based within the County.

Orange county receives a 1% Local Option Sales Tax which is collected by the Virginia Department of Taxation and remitted to the County in which the sale occurred. Because this portion of sales tax is directly related to sales activity within the County, it provides a unique perspective on the County's local economy. The following chart is a historical representation of Local Option Sales Tax vendor collections through September, 2017. The Local Option Sales Tax revenue is remitted to the County by the Virginia Department of Taxation two months after it is collected by the vendor.



According to a recent report by the Greater Piedmont Area Association of Realtors, detached home sales prices within the area increased by 1.4% during the twelve-month period ending September, 2017, and the median length of time on the market has declined by 29% during the same period. The supply of active units on the market decreased by 5.9%. Based on this information, the next general reassessment of real property within the County (anticipated to become effective in 2020) may result in a more substantial increase in taxable assessed values.

The Orange County Economic Development Authority adopted a strategic plan in March 2016. The strategic plan was crafted over a year-long effort which began with numerous stakeholder meetings throughout the county, developing a mission and vision statement as well as a key list of target industries, goals and strategies. Stakeholders include the Orange County Chamber of Commerce, Orange County School Board, major employers, environmental groups, faith based and minority groups, Town Councils, the County Board of Supervisors and the Economic Development Authority. The final results of the discussions were adopted mission and vision statements as well as the identification of 12 industries to target for economic development in order to strengthen and further diversify the economic base. These target industries provide a range of jobs which match local skill sets in the region, attract new talent and add to the county's quality of life.

The table below identifies the target industries:

Adopted Mission Statement - Develop a well-balanced economic development program through recruitment and existing business efforts which create increased tax revenue and high-quality job opportunities for Orange residents while preserving the natural and cultural make-up of Orange County.

Adopted Vision Statement - Create a business environment that fosters entrepreneurial growth, attracts quality investment, with high value jobs in a community with an affordable cost of living and a great quality of life.

Strategic Plan: Target Industries		Regional CVPED Target Industries	Orange Base Industries	Orange Overall Target Industries
Industry				
1 Agribusiness		X	X	X
2 Arts, Entertainment, & Visitor Industries			X	X
3 Bioscience & Medical Devices		X		
4 Professional Services		X		X
5 Defense & Security		X	X	X
6 Eclectic Retail				X
7 Food Processing		X		X
8 Forestry & Wood Products			X	X
9 Health Services		X		X
10 Information Technology		X		X
11 Advanced Manufacturing		X	X	X
12 Transportation & Logistics			X	X
13 Education				X

Note: Central Virginia Partnership for Economic Development ("CVPED").

Major Initiatives

During fiscal year 2017, the County continued to progress on a number of projects including continuing to fund capital needs at the minimum investment required by the Board's adopted financial policy. Fiscal year 2017 expenditures included the continuation of replacement cycles for Sheriff's vehicles and ambulances, and continued funding for the Landfill's closure reserve. Investments were also made in interior renovations and roof replacements for Orange County Public Schools, computer hardware replacements, and an addition to the project development line item for preliminary capital project expenditures.

The County continued its efforts to create an economic development visioning plan for the Germanna-Wilderness Area, located in the eastern end of Orange County. In September 2013, the Board of Supervisors, Economic Development Authority, and Planning Commission created the Route 3 Strategic Visioning Initiative Steering Committee and appointed two of their respective members to serve as representatives on the Committee. The Committee outlined specific goals and objectives in early January 2014, and retained Spectrum Growth Solutions, LLC, of Richmond, Virginia to conduct and facilitate a planning charrette. The charrette engaged private sector developers, financial analysts, and engineers, in late March, 2014. From June, 2014 until November, 2014 the Committee drafted a working draft document entitled the Germanna-Wilderness Area Plan (GWAP).

The Germanna-Wilderness Area Plan is a long-term growth management plan for the next 50 years that creates the atmosphere for a competitive local economy; plans for adequate and appropriate public facilities and services; promotes and protects local historic and environmental assets; and, guides public and private investments to create an attractive and livable community.

The Steering Committee initiated a public comment and review period for the working draft of the Germanna-Wilderness Area Plan (GWAP). The Plan was subdivided into eight subareas, each of which represented unique characteristics in existing land uses; natural, cultural, and historic features; infrastructure; and economic development.

The written public comment period began December 9, 2014 and concluded on January 2, 2015. The Steering Committee then reviewed and discussed the comments received and, by consensus, made modifications to the draft document based on the public input, as deemed appropriate. Upon completion of the public comment and review process, the Board of Supervisors, Economic Development Authority, and Planning Commission received the Steering Committee's recommended draft plan. The Plan was then reviewed and formally adopted as part of the Orange County Comprehensive Plan on July 14, 2015.

The adopted plan includes the following components:

Jobs and Employment

In partnership with landowners and existing businesses, a center for employment is envisioned on a cohesive, planned campus that includes more than one development. This center for employment may be a combination of many sites – perhaps one for Research & Development (R&D) and another for light manufacturing. The R&D campus may be located near a resort, hotel, or conference center to provide interconnectivity between uses for a cohesive development strategy. Business targets will be identified and others may be excluded that are undesirable. The planned campus area will reflect traditional Orange County architecture with a theme, buffering, setbacks, arterial connectivity, underground utilities, specific design standards, with flexibility for future needs.

Consumer Goods and Services

The planned Route 3 area will include a series of aesthetically and functionally unique, mixed-use areas connected by a common parkway and buffered by various cultural and recreational centers. The connection from the existing population center to eastern Route 3 will incorporate destinations that build upon Orange County's unique needs and topography. Transportation between activity areas will be efficient and all elements of a larger economic, cultural, and recreational plan will be incorporated into one cohesive path to success.

Recreation, Culture and History

Development along Route 3 will take advantage of Orange County's cultural, historic, and natural resource assets to provide recreational opportunities that are attractive to citizens and visitors alike. These types of endeavors will be featured to contribute to the economic prosperity, health, and well-being of Orange County and its citizens. Orange County will establish public and private partnerships to create recreational and educational opportunities and leisure facilities to promote family-oriented activities.

The County of Orange and the Germanna-Wilderness Area Plan (GWAP) Steering Committee hosted a Town Hall Meeting on Thursday, June 29, 2017 to provide an opportunity to update the community on its work to-date to advance the goals of the GWAP. Topics covered included: economic development; historic and cultural assets; overlay and planned development districts; master utility plan; and transportation.

To better understand the historic and cultural assets located within the boundaries of the Germanna-Wilderness Area Plan, the Steering Committee engaged Zann Nelson, owner of History Quest, to prepare an inventory matrix in which each asset was identified and described. The information was formatted to facilitate future land use decisions. The Steering Committee has also acquired a transportation master plan and a utilities master plan, and partnered with the Virginia Department of Transportation (VDOT) to develop an access management plan for the Route 3 corridor.



Skydiving from Orange County Airport

The County has planned and undertaken 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. All obstruction removal activities (including easement acquisition) were suspended during fiscal year 2015 pending the completion of an Environmental Assessment (EA) which was deemed necessary by the Federal Aviation Administration (FAA).

The Environmental Assessment report was completed and approved during fiscal year 2016 allowing the Airport's capital improvement project schedule to resume. The acquisition of fifteen additional aviation easements began in 2017, after which the remaining

obstructions will be removed. This will result in a clear approach to runway 26, at which time a similar project will begin for runway 8.

During fiscal year 2017, the County completed a project to upgrade the automated Weather Observation System (AWOS) located at the Orange County Airport. The AWOS provides vital, real-time weather information to pilots, and the upgrade will enable the safe operation of the facility to continue.

In November, 2016, the Board of Supervisors authorized a bond sale totaling \$52,508,303 for the refinancing of the County's 2007 Bonds (\$25,265,030) as well as new bonds to fund the construction of a Public Safety Communications System (\$9,333,922), Consolidated E-911 Dispatch and Facility (\$13,719,262), Dispatch Consolidation and Modernization Project (\$2,975,089) and a Fiber Optics/Rural Broadband Initiative (\$1,215,000). The new projects will strategically integrate the telecommunications services and support facilities for public safety and education and in turn leverage private sector job creation and business investment. The broadband component of the projects will reduce the capital expense barriers for private-sector broadband companies in order to potentially serve unserved and underserved areas within Orange County. In addition, the project will provide residents and businesses consumer choice for affordable and reliable high-speed broadband.

Long-Term Financial Planning

Each year, the Finance Department provides a financial forecast of revenues to the County Administrator and the Board of Supervisors. The forecast serves as a first step in the budget process for the upcoming fiscal year and is meant to provide a very preliminary view of the County's ability to meet its obligations and funding needs under a prescribed set of assumptions. The most recent revenue forecast was presented on November 8, 2017, and included the following major assumptions:

- 1% increases in assessed values for real property
- 2.5% increases in assessed values for personal property
- 5% increases in other local taxes
- 5% increases in permits and privilege licenses
- 2% increases in fines and forfeitures

The results of the forecast are shown below and indicate ongoing challenges in balancing the County's annual budget with existing tax rates. The County's goal is to continue limiting the use of fund balance to one-time expenditures in order to avoid structural imbalance in the budget. As part of future budget discussions, the County will consider funding alternatives for the major capital projects as well as tax rate adjustments if necessary.

Orange County Government Five-Year General Fund Forecast November 8, 2017

	2017-2018 Budget	2018-2019 Forecast	2019-2020 Forecast	2020-2021 Forecast	2021-2022 Forecast	2022-2023 Forecast
Revenue:						
General Property Taxes	\$ 41,086,237	\$ 41,642,690	\$ 42,176,177	\$ 42,718,976	\$ 43,269,170	\$ 43,827,937
Other Local Taxes	6,272,480	6,586,111	6,915,417	7,261,187	7,624,247	8,005,459
Permits, Fees, License	341,228	358,299	376,214	395,025	414,776	435,515
Fines and Forfeitures	165,750	169,067	172,448	175,897	179,415	183,004
Use of Money and Property	125,995	192,966	194,896	196,845	198,814	200,802
Charges for Service	1,981,319	2,004,670	2,028,929	2,053,527	2,078,548	2,103,974
Miscellaneous Revenue	381,960	379,991	379,991	379,991	379,991	379,991
Recovered Costs	1,495,994	1,439,719	1,437,519	1,497,844	1,500,369	1,496,994
State Aid	8,251,199	8,699,210	8,790,444	8,887,142	8,989,491	9,097,697
Federal Grants	165,459	27,762	28,040	28,320	28,603	28,889
Transfer In from Other Funds	1,420	1,295	1,295	1,295	1,295	1,295
Total General Fund Revenue	\$ 60,269,041	\$ 61,501,780	\$ 62,501,370	\$ 63,596,049	\$ 64,664,719	\$ 65,761,557

Relevant Financial Policies

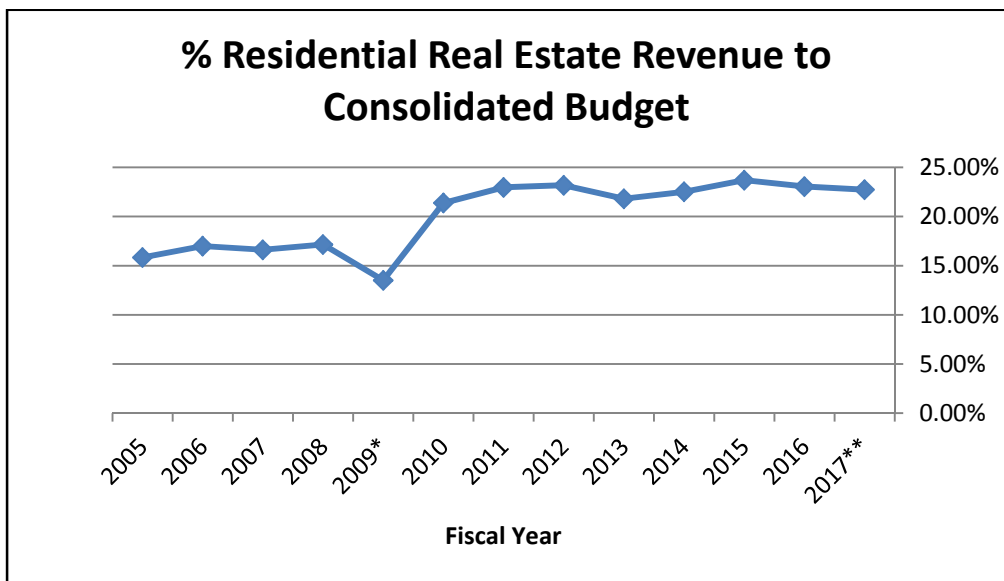
Following discussions at the 2014 planning retreat, the Board of Supervisors established a committee to draft several high-level financial policies for guiding future financial and budgetary decisions. The following policies were adopted by the Board on January 27, 2015.

Tax Revenue Generation

The Board's overall policy is not to raise tax rates and to do so only in cases where the County must meet legal mandates, fund specific capital projects, or when a revenue source is significantly diminished or lost.

Supporting Financial Operations

- Budget should be based on plans to achieve specific outcomes and the assessment of priorities rather than simply across-the-board increases.
- County services are maintained at existing levels and standards as a function of population changes, keeping a strong focus on maintaining high quality law enforcement, Fire/EMS, and public education.
- County services are subject to continuous improvement and innovation to gain cost and operational efficiencies.
- Typically, Real Property will be reassessed every four years.
- The Board's first priority is to expand the County's economy as a growing source of tax revenue to lessen the tax burden on residential real estate, which currently funds 24% of the total consolidated annual budget.



Debt

- Short-Term Debt such as lease purchase agreements used primarily for capital equipment purchases should be used for aiding and smoothing cash flow.
- Long-Term Debt should only be used for durable infrastructure such as real estate, buildings, and major IT systems.
- Long-Term Debt should NEVER be used for cash flow purposes.

Capital Improvement Plan and Budget

- The County will prepare annual updates of a five year Capital Improvements Plan (CIP) which will specify proposed funding sources for capital projects, estimate the impact of any new debt, and include the level of annual General Fund contributions required for capital and debt service.
- The County will establish a Capital Projects Reserve Account to serve as the primary source of monies for the CIP. The Reserve may be funded through a combination of sources including transfers from the General Fund, carry-forward funds, user fees, debt proceeds, grants, donations, reserves, and unbudgeted revenue.
- Future combined budgets for General Fund contributions for Debt Service (*net of the amounts reimbursable as an obligation of another entity*) and Capital Projects will be no less than the amounts approved in the fiscal year 2014-2015 adopted budget.
- The County will consider additional appropriations to the Capital Projects Reserve Account from the General Fund Unassigned Fund Balance when funds may be available above the minimum amount established by the adopted Reserves Policy.

Reserves

The Board continued its Reserves Policy which sets the minimum level of acceptable unassigned General Fund balance for a fiscal stability reserve at 15% of the combined actual operating expenditures of the General Fund and School Operating Fund plus transfers out (net of primary government's appropriation to the School Board). In addition, the Board's policy states that unassigned general fund balance should not exceed 18%. At June 30, 2017, unassigned General Fund balance decreased from 24.95% to 20.62% of expenditures as defined in the policy. Subsequent to June 30, 2017, carry-forward requests were approved and additional fund balance amounts assigned of \$372,623 bringing the percentage to 20.2% of operating expenditures. The use of an additional \$575,900 is currently under consideration by the Board of Supervisors for Orange County Public Schools.

The Board amended the Reserves Policy to include additional reporting requirements and disclosures of cash balances each quarter. The policy also stipulates that if the Unassigned Fund Balance falls below the 15% minimum level, the Board must approve and adopt a plan to restore this balance to the minimum level within 24 months.

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, 2016. This was the eleventh 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,

A handwritten signature in blue ink, appearing to read "R. Bryan David".

R. Bryan David,
County Administrator



Government Finance Officers Association

**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, 2016

Christopher P. Morill

Executive Director/CEO

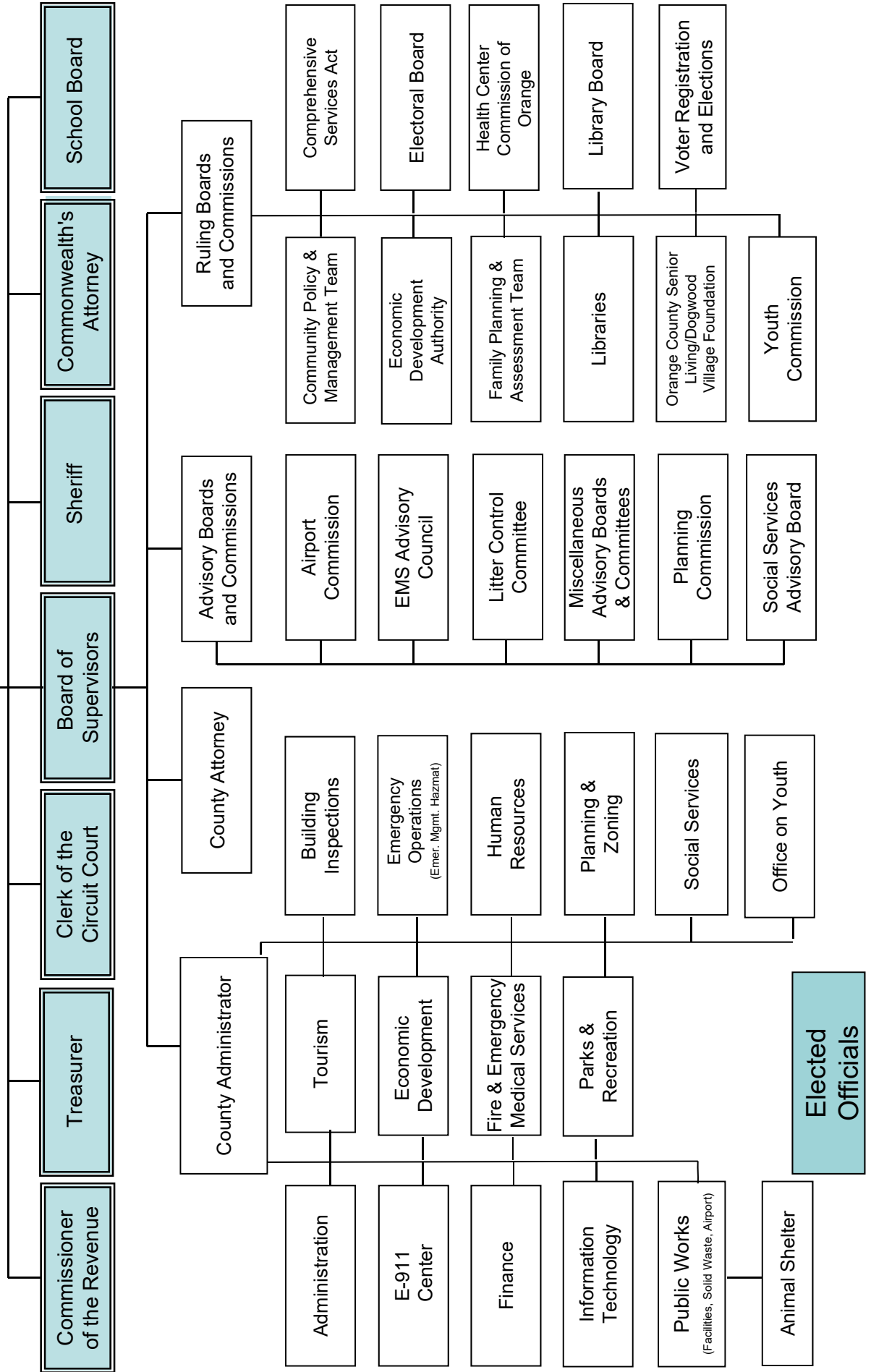


FY2017

Orange County Organizational Chart



VOTERS



COUNTY OF ORANGE, VIRGINIA

Directory of Principal Officials

June 30, 2017

Board of Supervisors

S. Teel Goodwin, Chair
Lee H. Frame, Vice Chair

R. Mark Johnson

James K. White

James P. Crozier

School Board

Sherrie Page, Chair
Judy Carter, Vice Chair

Carol Couch

Bette Winter

Jim Hopkins

Other Officials

Presiding Judge of the Circuit Court

Clerk of the Circuit Court

Chief Judge of the General District Court

Presiding Judges of the Juvenile & Domestic Relations Court

Clerk of the General & Juvenile & Domestic Relations Court

County Attorney

Commonwealth's Attorney

Commissioner of the Revenue

Treasurer

Sheriff

Superintendent of Schools

Clerk of the School Board

Director of Social Services

County Administrator

Assistant County Administrator for Finance & Management Services

Assistant County Administrator for Operations

School Board Chief Financial Officer

Daniel R. Bouton

Teresa T. Carroll

Robert H. Downer, Jr.

Claude V. Worrell

Ronald L. Morris

Barbara B. Miller

Thomas E. Lacheney

Diana O'Connell

Renee Pope

Dawn Watson

Mark A. Amos

Dr. Brenda Tanner

Laura Byram

Vacant

R. Bryan David

Glenda Bradley

Kurt Hildebrand

Gary Honaker

INDEPENDENT AUDITORS

PBMares, LLP

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the Board of Supervisors
County of Orange, Virginia

Report on the Financial Statements

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 (County), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis and the required supplementary information on pages 4-14 and 87-97, respectively, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financials. The accompanying schedules listed in the table of contents as introductory section, supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards and supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and supplementary information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections, as listed in the table of contents, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2017 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

PBmares, LLP

Harrisonburg, Virginia
November 27, 2017

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, 2017. 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 x of this report.

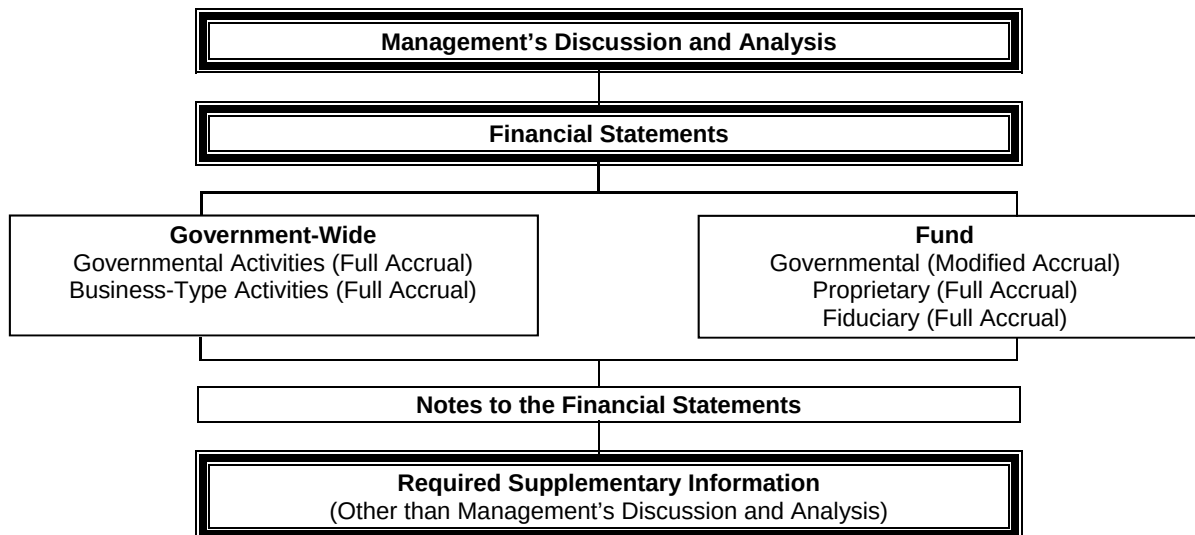
Financial Highlights

- Total assets and deferred outflows of resources of the County of Orange (primary government) exceeded total liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$41,404,750 (*net position*). Of this amount, \$26,937,956 resulted from governmental activities and \$14,466,794 from business-type activities.
- On a government-wide basis for governmental activities, the County had expenses net of program revenues of \$48,204,477, which was \$379,217 less than the general revenues, special item and transfers of \$48,583,694.
- On a government-wide basis for business-type activities, the County had expenses net of program revenues of \$2,443,373. The net position for business-type activities was reduced by a total of \$23,709. In comparison, the net position for business-type activities was reduced by \$333,155 for the year ended June 30, 2016.
- At June 30, 2017, unassigned General Fund balance was \$19,383,577 or 20.6% of actual operating expenditures as defined by the County's fund balance policy.

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, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual method of accounting. All of the year's revenue and expenses are considered, regardless of when the cash is received or paid.

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

The Statement of Net Position presents information on all the County's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Net position is presented in three categories: net investment in capital assets, 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 capital assets must also be considered when using the Statement of Net Position as a financial indicator.

The Statement of Activities provides information on how the County's net position changed during the year. Since the government-wide financial statements use the accrual method of accounting, changes in net position 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 Position 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 government and judicial administration, public safety, public works, health and welfare, education, parks, recreation and cultural, 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, the Economic Development Authority, and the Broadband 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. 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 one Internal Service Fund. The Internal Service Fund accounts for the activities of a self-insured health plan and is classified as a governmental activity.
- 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 position and a statement of changes in fiduciary net position. Assets for Special Welfare, Rapidan Hills Limited Partnership, the Commonwealth of Virginia, the Parks and Recreation Foundation, 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 page 27 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 and other postemployment benefits to its employees. Required supplementary information can be found in the labeled section of this report.

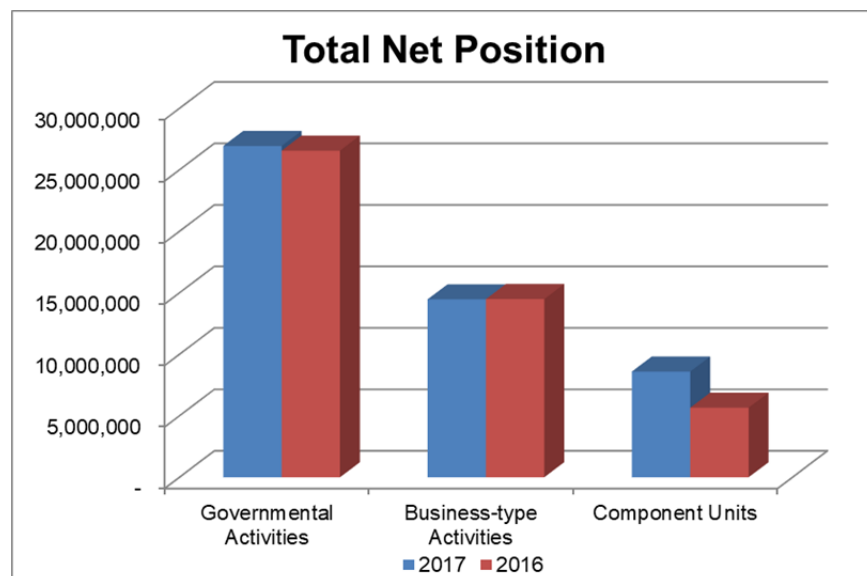
The combining statements, in connection with non-major governmental funds, are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found in the other supplementary information section of this report.

Government-Wide Financial Analysis

The following table presents the condensed Statement of Net Position:

Orange County, VA Summary Statement of Net Position

	Primary Government				Component Units	
	Governmental Activities		Business-type Activities			
	2017	2016	2017	2016	2017	2016
Current and Other Assets	\$ 75,708,764	\$ 50,537,337	\$ 4,125,686	\$ 3,490,395	\$ 10,885,214	\$ 10,227,369
Capital Assets (net)	54,464,525	57,764,329	13,314,101	13,779,641	56,203,209	53,964,753
Total Assets	130,173,289	108,301,666	17,439,787	17,270,036	67,088,423	64,192,122
Total Deferred Outflow s of Resources	3,010,954	1,382,123	65,127	42,501	7,916,317	5,215,840
Long-term Liabilities	101,507,079	77,158,982	2,794,137	2,542,890	58,644,183	54,056,735
Other Liabilities	4,227,744	4,494,567	223,982	221,012	5,385,367	5,835,225
Total Liabilities	105,734,823	81,653,549	3,018,119	2,763,902	64,029,550	59,891,960
Total Deferred Inflow s of Resources	511,464	1,471,501	20,001	58,132	2,380,053	3,860,504
Net Position:						
Net Investment in Capital Assets	(23,720,203)	3,005,800	13,314,101	13,779,641	49,649,234	46,817,600
Restricted	27,106,855	534,309	-	-	-	-
Unrestricted (deficit)	23,551,304	23,018,630	1,152,693	710,862	(41,054,097)	(41,162,102)
Total Net Position	\$ 26,937,956	\$ 26,558,739	\$ 14,466,794	\$ 14,490,503	\$ 8,595,137	\$ 5,655,498



The following table presents the condensed Statement of Activities:

Orange County, VA Summary Statement of Activities						
	Primary Government				Component Units	
	Governmental Activities		Business-type Activities			
	2017	2016	2017	2016	2017	2016
Revenues:						
Program Revenues:						
Charges for Services	\$ 3,630,774	\$ 3,689,195	\$ 778,717	\$ 692,906	\$ 1,140,630	\$ 1,103,103
Operating Grants and Contributions	6,848,749	6,500,636	75,300	9,207	33,213,524	31,979,973
Capital Grants and Contributions	122,036	88,320	-	30,865	50,000	380,446
General Revenues:						
General Property Taxes	40,829,686	39,853,041	-	-	-	-
Other Local Taxes	6,606,988	5,889,432	-	-	-	-
Grants and Contributions Not Restricted to Specific Programs	-	-	-	-	22,598,168	21,512,600
Intergovernmental, Non-Categorical Aid	4,249,440	4,265,161	-	-	-	-
Use of Property and Money	352,115	203,645	-	-	7,822	5,020
Miscellaneous	483,069	558,478	22,060	7,771	874,301	870,823
Total Revenues	63,122,857	61,047,908	876,077	740,749	57,884,445	55,851,965
Expenses:						
General Government Administration	4,364,352	3,697,143	-	-	184,121	377,628
Judicial Administration	1,718,583	1,650,036	-	-	-	-
Public Safety	12,337,219	11,957,728	-	-	-	-
Public Works	1,103,311	878,661	-	-	51	-
Health and Welfare	7,489,593	6,060,296	-	-	-	-
Education	26,245,512	26,187,147	-	-	54,760,634	49,909,608
Parks, Recreation, and Cultural	1,301,536	1,285,193	-	-	-	-
Community Development	1,200,104	1,432,001	-	-	-	-
Interest	3,045,826	3,139,207	-	-	-	-
Airport	-	-	764,063	777,557	-	-
Landfill	-	-	2,533,327	2,410,358	-	-
Total Expenses	58,806,036	56,287,412	3,297,390	3,187,915	54,944,806	50,287,236
Change in Net Position Before Transfers and Special Items	4,316,821	4,760,496	(2,421,313)	(2,447,166)	2,939,639	5,564,729
Special Item-Refunding of Dogwood Village Note Receivable	(1,540,000)	-	-	-	-	-
Transfers In (Out)	(2,397,604)	(2,114,011)	2,397,604	2,114,011	-	-
Change in Net Position	379,217	2,646,485	(23,709)	(333,155)	2,939,639	5,564,729
Net Position Beginning	26,558,739	23,912,254	14,490,503	14,823,658	5,655,498	90,769
Net Position, Ending	\$26,937,956	\$26,558,739	\$ 14,466,794	\$14,490,503	\$ 8,595,137	\$ 5,655,498

Net Position

The Primary Government's governmental net position increased by \$379,217 or 1.4% during the year ended June 30, 2017. This increase was primarily due to favorable variances between budgeted and actual expenditures within the County's governmental funds. The County's net position decreased in the business-type activities as expenses (including depreciation) continue to outpace revenues, particularly in the Airport Fund. Fuel sales at the Airport have been adversely impacted by a reduction in the number of aircraft based at the Airport. Net position in the County's component units increased by a total of \$2,939,639 during fiscal year 2017.

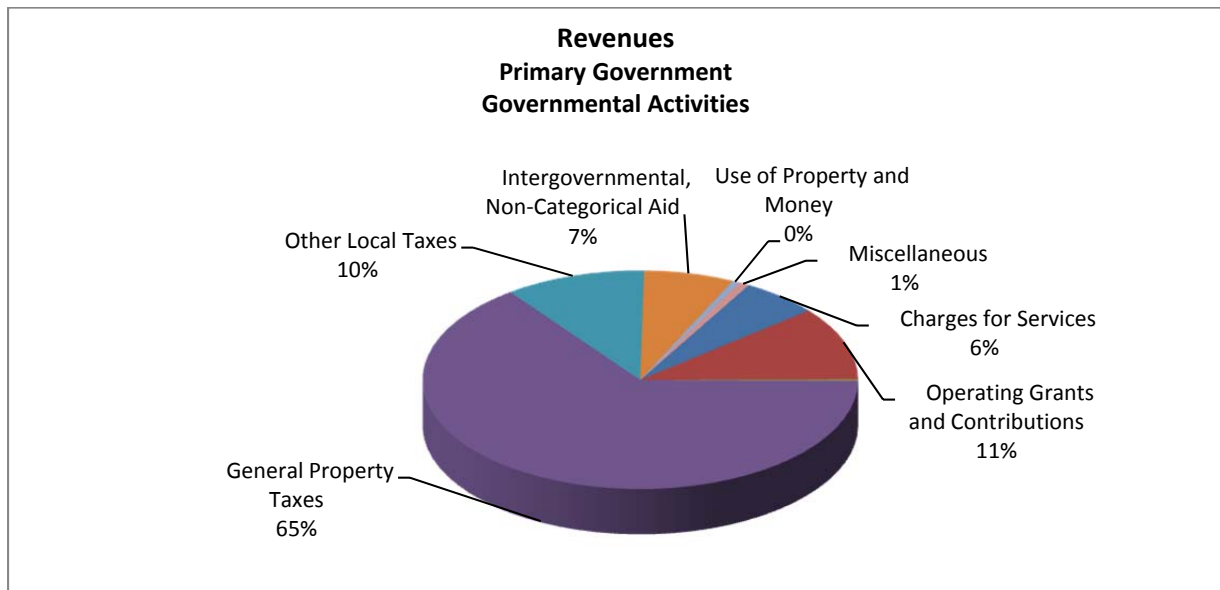
Unrestricted governmental net position increased by \$532,674. Restricted governmental net position includes \$27,101,855 in restricted bond proceeds and \$5,000 from a Wal-Mart cash payment, which was collected as a condition for a special use permit for future capital improvements.

Revenues

For the fiscal year ended June 30, 2017, revenues generated by the Primary Government's governmental activities totaled \$63,122,857. General property taxes, the County's largest revenue source, were \$40,829,686. Included in this total are real and personal property levies, which are due on June 5th and December 5th each year. The real estate tax rate for fiscal year 2017 was \$.804/\$100, which was the same as the prior year. During fiscal year 2016, unbudgeted revenue from the 2014 first-half tax billing was transferred to the Capital Project Fund to establish a reserve for project development within the fund.

Fiscal year 2017 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 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 33.98% up to the first \$20,000 in value for fiscal year 2017.

The other local tax category includes sales tax, consumer utilities tax, consumption tax, recordation tax, motor vehicle license tax, and food and beverage tax. Local sales and use tax revenue increased by \$509,807 or 18.24% from the previous fiscal year. This amount includes \$95,000 in sales tax recovery from the Town of Gordonsville. Motor Vehicle License Tax revenue increased by \$90,463 or 9.0%, while overall Consumer Utility Tax increased by 3.2%. Consumption Tax revenue reflected little change from the prior year and Restaurant Food Taxes revenue was down by 1.3% from the prior year.



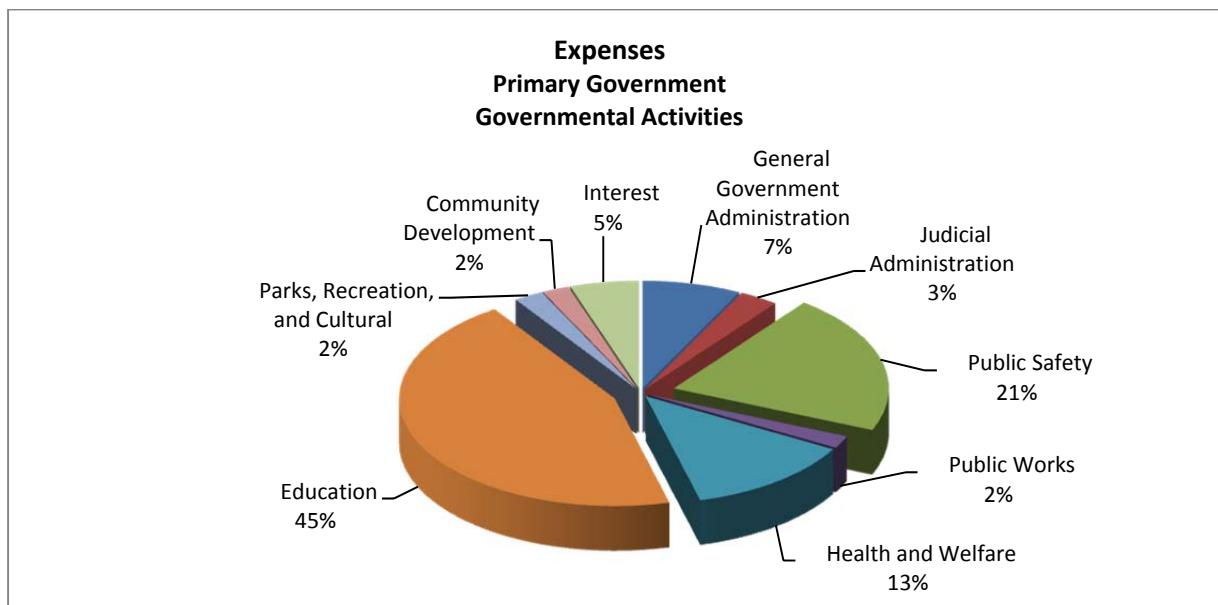
Program revenues are derived from the program itself and reduce the cost of the function to the County. This category includes charges for services and operating and capital grant revenues. Total program revenues for governmental activities were \$10,601,559, an increase of \$323,408 from the previous year. This increase is mainly attributable to the fact that reimbursements for the Children's Services Act of Virginia increased by \$608,813 due to increased program activity. The additional program revenue was offset by a reduction in grant proceeds from the Commonwealth's Opportunity Fund for which \$385,000 was received in the prior year. Program revenues in the governmental funds include charges for services that totaled \$3,630,774 and includes charges for ambulance fees, recreation and childcare programs, and building permits. This category reflects a small decrease from the prior year of 1.6%, which was distributed across functional areas of expenditures. Operating grant revenue increased by \$348,113 over the prior year, primarily in the area of Health and Welfare (which includes administration of the Children's Service Act) and Community Development.

Proprietary funds generated program revenues of \$778,717 from charges for services and \$75,300 in operating grant revenues and contributions. Charges for services increased significantly in the Landfill Fund; however, this increase was offset by decreased fuel sales in the Airport Fund. Within the component units, program revenues increased by \$940,632.

Expenses

For the fiscal year ended June 30, 2017, expenses for governmental activities totaled \$58,806,036, an increase of 4.5% or \$2,518,624. Expenses include the cost of employee compensation, contributions to the school board, and interest on governmental debt. The largest changes are reflected in the general government administration and health and welfare categories, which increased by \$667,209 and \$1,429,297, respectively, over the previous fiscal year. During fiscal year 2017, the County's 2007 bond issuance was re-financed, resulting in a change to the note receivable from Dogwood Village Senior Living for their portion of the refunded bonds. The reduction in the receivable amount of \$1,540,000 was recorded as an expense within the general government administration category. The health and welfare category increase reflects the increase in program activity related to the Children's Services Act. Expenses for the program increased by \$908,623 for fiscal year 2017.

In the Primary Government category, personnel expenses for fiscal year 2017 included increases in general government health insurance costs of approximately 6% and funding for the County's share of increased operating costs due to the expansion of the Central Virginia Regional Jail. During fiscal year 2017, the County added three full-time positions, including one in Public Safety, one in Information Technology, and one in the Office on Youth. The positions in Public Safety and the Office on Youth resulted in the elimination of two part-time positions. One new part-time position was approved, which was a Building Inspection Assistant. A county-wide market wage adjustment of 1% was implemented for all positions. Required retirement contributions decreased from 11.35% to 9.39% of covered payroll for the year.



Expenditures within the other functional areas of governmental activities increased by amounts related to the allocation of expenses incurred by the self-insurance fund, changes in compensated absences, pension expenses, and other long-term liabilities included in the entity-wide financial statements. Interest on long-term debt reflects a decrease of \$93,381, as the County's outstanding obligations were retired in accordance with debt service schedules and savings from the 2007 bond refunding were realized.

The County's Proprietary Funds reflect a total of \$3,297,390 in expenses compared to \$3,187,915 for fiscal year 2016. The Airport Fund reflects expenses that were slightly lower than the previous year. The Landfill Fund reflects an increase in expenses of 5.1%. The reduction in the Airport Fund was due to the decrease in fuel prices, which was offset proportionally by revenue reductions within the fund. In the Landfill Fund, increases in costs were mainly attributable to increased use of the Landfill and the changes in personnel expenses mentioned above.

Within the School Board component unit, overall expenses increased by \$4,851,026 or 9.7%. The Economic Development Authority reflects expenses that are \$193,507 lower than the prior year due to changes in incentive payments and project activity. During fiscal year 2017, the Orange County Broadband Authority was created, but had very little activity to report for the year.

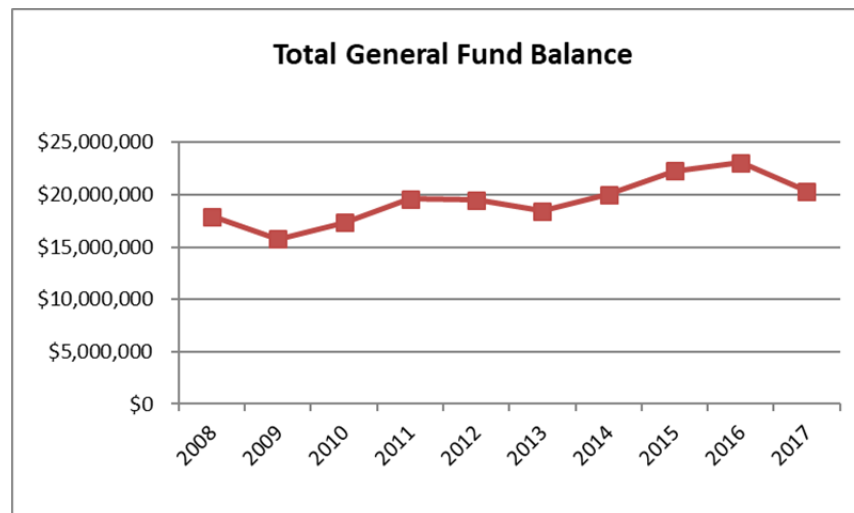
Financial Analysis of the Government's Funds

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, 2017, the County's governmental funds reflected a combined fund balance of \$53,737,465, some of which is reserved for specific purposes, such as capital outlay and debt service. The increase of \$27,161,396 over fiscal year 2016 included \$27,101,855 in restricted cash from the 2016 bond issuance. These proceeds will be expended over the next two years as the bond projects are completed. The General Fund reflected a reduction in fund balance of \$2,725,657, which is attributable to the transfer of excess General Fund reserves for a combination of debt and capital expenses. This use of reserves was part of a comprehensive financing plan combining the use of cash reserves with bond proceeds for several Public Safety projects as well as the County's Broadband Initiative. The Debt Service Fund reflected a portion of those funds within its fund balance of \$1,094,182 which is planned for expenditure during fiscal year 2018 and fiscal year 2019. An additional \$1,580,000 is included within the Capital Project Fund balance. Other fund balance totals within governmental funds are assigned, committed, or restricted for specific purposes.

At June 30, 2017, unassigned General Fund balance was \$19,383,577 or 20.62% of actual operating expenditures as defined by the County's fund balance policy. Total general fund balance decreased by \$2,725,657 from fiscal year 2016. Actual General Fund revenues were more than budget estimates (excluding appropriated fund balance) by \$955,200 and actual General Fund expenditures were less than budget estimates by \$2,644,684. The *revised* fiscal year 2017 budget included a total of \$3,737,140 in appropriated fund balance that was not ultimately used due to the overall favorable budget-to-actual variance.

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 plus transfers out (net primary government's appropriation to the School Board). In addition, the Board's policy states that unassigned General Fund balance should not exceed 18%. At June 30, 2017, unassigned General Fund balance decreased from 25.0% of expenditures to 20.6% as defined in the policy. The additional appropriations approved since June 30, 2017 will bring the percentage to 20% of operating expenditures when calculated using fiscal year 2018 budgeted expenditures.



Fund balance in the Virginia Public Assistance Fund remained unchanged for fiscal year 2017. Fund balance within the Debt Service Fund reflected \$1,094,182, which is intended for future debt service payments in accordance with the financing plan associated with the 2016 bond issuance. Normally, this fund does not accumulate a fund balance because it is funded solely by transfers from the General Fund in an amount equal to the annual debt service due.

Fund balance in the Capital Projects Fund increased by \$28,800,806 mainly due to \$27,101,855 in bond proceeds still on hand at June 30, 2017. Also included in the Capital Projects Fund's increase in fund balance was \$1,580,000 for future capital purchases in accordance with the financing plan associated with the 2016 bond issuance. The remaining fund balance within the Capital Projects Fund is assigned to specific capital projects as approved in the adopted Capital Improvements Plan.

General Fund Budgetary Highlights

Differences between the original operating budget and the final operating budget resulted in a net increase of \$7,169,799 in additional appropriations. Highlights of the budget amendments are as follows:

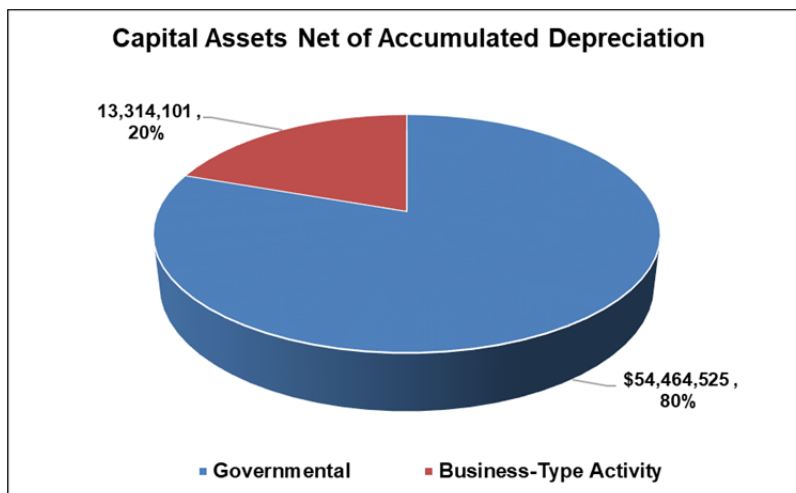
Budget Amendment	Amount
Appropriation of Excess General Fund Reserves for Financing Plan	\$ 3,746,555
School Board requests for ongoing projects	1,589,506
Children's Services Act Budget (increased usage, state and local)	1,271,587
General Fund requests for ongoing projects	369,078
Additional Medical Expenses for Central Virginia Regional Jail	83,221
Rappahannock-Rapidan Juvenile Detention Center (Increased Usage)	80,000
Transfer Availability Fees to Capital Project Fund	20,000

As detailed above, the largest budget amendment was for the appropriation of excess General Fund reserves for a combination of transfers to the Debt Service Fund and the Capital Project Fund as part of the financing plan for the 2016 bond issuance. The second largest budget amendment was for the carryforward of unspent funds from fiscal year 2016 for Orange County Public Schools. The request funded the continuation of several capital projects totaling \$893,393 and one-time operational expenditures of \$696,113. The one-time operational expenses and the new projects were purchased using operational savings from fiscal year 2016. A large budget amendment was necessary during the year due to increased activity within the Children's Services Act program, which is designed to assist at-risk youth and their families. The program includes funding for services for children in foster care, those at-risk for entering foster care, and those who are seriously emotionally disturbed. Program expenses increased by 43.2% in fiscal year 2017, and is thought to be partially due to the national opioid epidemic. General Fund carryforward appropriations included expenditures planned for projects, grants, and other items that were incomplete at the end of the fiscal year for a variety of reasons.

Differences between the final amended budget and actuals included property tax collections that exceeded budget estimates by a total of \$595,955, primarily in the personal property tax category. Other local tax revenues exceeded budget estimates by \$377,390. Commonwealth intergovernmental revenues lagged behind budget estimates by \$173,380; however, much of that was due to delays in the timing of the projects. The largest expenditure variance between the final amended budget and actuals was in the Education category (\$861,399). Most of this amount (\$575,900) has since been requested for carryforward by the School Board for ongoing projects and other one-time purchases.

Capital Assets

The County of Orange's investment in capital assets for its governmental and business-type activities as of June 30, 2017, amounted to \$67,778,626 (net of accumulated depreciation). This investment in capital assets included land, construction in progress, landfill development, buildings and systems, improvements, machinery and equipment, harbor, and park facilities.



Orange County, VA
Primary Government
Change in Capital Assets

	Balance June 30, 2016	Net Increase/ (Decrease)	Balance June 30, 2017
Governmental Activities:			
Non-Depreciable Assets:			
Land	\$ 1,028,445	\$ -	\$ 1,028,445
Easements	41,990	-	41,990
Construction in Progress	213,478	447,782	661,260
Other Capital Assets:			
Buildings & Improvements	20,346,423	(37,566)	20,308,857
School Buildings & Improvements	45,232,173	(3,387,761)	41,844,412
Furniture and Other Equipment	10,331,179	1,401,813	11,732,992
Less: Accumulated Depreciation	(19,429,359)	(1,724,072)	(21,153,431)
Business-type Activities:			
Non-Depreciable Assets:			
Land	1,829,903	-	1,829,903
Construction in Progress	507,926	121,325	629,251
Other Capital Assets:			
Buildings & Improvements	11,767,385	-	11,767,385
Landfill Development Costs	3,349,705	-	3,349,705
Furniture and Other Equipment	1,196,464	91,293	1,287,757
Less: Accumulated Depreciation	(4,871,742)	(678,158)	(5,549,900)
Net Capital Assets	\$ 71,543,970	\$ (3,765,344)	\$ 67,778,626

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 9 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. 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 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 makes 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. At June 30, 2017, the County had five such leases outstanding, which were for the purchase of two fire trucks in fiscal year 2008 for a ten-year term at 3.57% interest, for a bundle of equipment purchased in fiscal year 2013 including financial software, a VOIP telephone system, wireless radios and a generator, and for Vesta Pallas software for the E-911 Department. The fiscal year 2013 equipment lease carries an interest rate of 1.78% over a five-year term and the fiscal year 2014 lease for the E-911 Software is for four years at 0% interest. During fiscal year 2015, two ambulances were purchased using lease-purchase financing over a five-year term with an interest rate of 1.56%. During fiscal 2017, two additional ambulances were purchased and financed over a three-year term at 1.6%.

The School Board also occasionally uses lease-purchase financing to acquire large equipment items. During fiscal year 2013, the School Board entered an Energy Performance Contract for \$6,198,242 at an interest rate of 2.59% over a fifteen-year term. The proceeds from this issue were spent to acquire energy-saving equipment throughout the division, which has generated energy savings over the term in amounts sufficient to fund the debt service. A second phase of the Energy Performance Contract was entered in fiscal year 2016 with a fifteen-year term, an interest rate of 2.39% and a total amount of \$1,259,830.

During the fall of 2016, Orange County's financial advisors provided several financial models to facilitate the development of a comprehensive financing approach that would allow the County to optimize savings from a refinancing of the 2007 Bonds, address proposed new capital project financing, minimize issuance costs, and comply with recommended debt capacity ratios in order to maintain the County's AA general obligation bond rating. The first analysis was presented to the Board at its June 28, 2016 worksession and demonstrated the County's ability to achieve the refinancing savings and finance the projects under consideration while remaining compliant with recommended debt ratios.

In November 2016, the Board of Supervisors authorized a lease-revenue bond sale totaling \$52,508,303 for the refinancing of the 2007 Bonds (\$25,265,030) as well as new bonds to fund the construction of a Public Safety Communications System (\$9,333,922), Consolidated E-911 Dispatch and Facility (\$13,719,262), Dispatch Consolidation and Modernization Project (\$2,975,089) and a Fiber Optics/Rural Broadband Initiative (\$1,215,000). Prior to the sale, the County received an upgrade of its lease-revenue bond rating from Standard & Poor's from AA- to AA and an upgrade of its general obligation bond rating from AA to AA+. In addition, the County received its first bond ratings from Moody's: Aa3 for lease-revenue and Aa2 for general obligation bonds. The refinancing portion of the 2016 Bonds did not extend the original maturity, which was 2034, and the final maturity for the new project bonds is 2036. The true interest cost (TIC) on the entire issue was 3.31%. The final savings on the refinancing over the term of the bonds was \$3,018,203.

The Primary Government's outstanding debt at June 30, 2017 is as follows:

General Obligation Bonds:	
Series 2001	\$ 8,855,000
Series 2005	129,841
School Bond Series 2005D	6,519,562
General Obligation Bond Premiums	2,464,849
Virginia Public School Authority Bonds (VPSA):	
Series 2000 B	655,000
Series 2002	650,000
Series 2007 B	2,860,000
Series 2009 B	19,840,000
Lease Revenue Bonds:	
Series 2016	48,110,000
Lease Revenue Bond Premiums	4,398,303
Capital Leases	892,640
Landfill Obligation	2,532,000
Other Postemployment Benefits	1,206,147
Compensated Absences	1,063,434
Grand Total	<u>\$ 100,176,776</u>

The Component Unit School Board's outstanding debt at June 30, 2017 is as follows:

Capital Leases	\$ 6,553,975
Other Postemployment Benefits	2,852,227
Compensated Absences	1,363,520
Grand Total	<u>\$ 10,769,722</u>

Additional information on the County's long-term debt can be found in Note 10 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 funds it receives. Questions concerning this report or requests for additional information should be directed to:

Glenda Bradley, Assistant County Administrator for Finance and Management Services

P. O. Box 111, Orange, VA 22960

Phone (540) 661-5406

E-mail gbradley@orangecountyva.gov

<http://orangecountyva.gov>

BASIC FINANCIAL STATEMENTS

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 1

STATEMENT OF NET POSITION

June 30, 2017

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Totals	School Board	EDA	Broadband Authority
ASSETS						
Cash and cash equivalents	\$ 23,196,378	\$ 3,270,546	\$ 26,466,924	\$ 6,600,885	\$ 1,095,168	\$ 154,922
Investments	3,615,430	696,049	4,311,479	802,219	-	-
Receivables, net:						
Taxes receivable	2,499,345	-	2,499,345	-	-	-
Accounts receivable	1,604,155	68,202	1,672,357	64,157	-	-
Due from other governments	1,828,982	62,434	1,891,416	2,167,863	-	-
Internal balances	2,619	(2,619)	-	-	-	-
Inventory	-	31,074	31,074	-	-	-
Prepaid items	15,000	-	15,000	-	-	-
Notes receivable	15,845,000	-	15,845,000	-	-	-
Restricted cash	27,101,855	-	27,101,855	-	-	-
Capital assets:						
Land	1,028,445	1,829,903	2,858,348	1,855,343	217,972	-
Easements	41,990	-	41,990	-	-	-
Buildings and improvements	20,308,857	11,767,385	32,076,242	143,650,757	-	-
School buildings and improvements	41,844,412	-	41,844,412	(41,844,412)	-	-
Landfill development costs	-	3,349,705	3,349,705	-	-	-
Furniture, equipment and vehicle	11,732,992	1,287,757	13,020,749	15,272,913	-	-
Construction in progress	661,260	629,251	1,290,511	2,316,809	425,699	15,297
Less accumulated depreciation and amortization	(21,153,431)	(5,549,900)	(26,703,331)	(65,707,169)	-	-
Total assets	130,173,289	17,439,787	147,613,076	65,179,365	1,738,839	170,219
DEFERRED OUTFLOWS OF RESOURCES						
Deferred charge on refunding	1,345,467	-	1,345,467	-	-	-
Pension plan	1,665,487	65,127	1,730,614	7,916,317	-	-
Total deferred outflows of resources	3,010,954	65,127	3,076,081	7,916,317	-	-
LIABILITIES						
Accounts payable and accrued expenses	1,796,335	223,982	2,020,317	5,324,565	2,418	-
Accrued interest payable	1,264,906	-	1,264,906	58,384	-	-
Unearned revenue	648,361	-	648,361	-	-	-
Insurance benefit claims	518,142	-	518,142	-	-	-
Long-term liabilities:						
Due within one year:						
Bonds payable	5,569,467	-	5,569,467	-	-	-
Capital leases	552,840	-	552,840	380,795	-	-
Compensated absences	757,069	8,641	765,710	175,144	-	-
Due in more than one year:						
Bonds payable, net	88,913,088	-	88,913,088	-	-	-
Capital leases	339,800	-	339,800	6,173,180	-	-
Compensated absences	252,356	45,368	297,724	1,188,376	-	-
Other postemployment benefits	1,153,232	52,915	1,206,147	2,852,227	-	-
Landfill obligation	-	2,532,000	2,532,000	-	-	-
Net pension liability	3,969,227	155,213	4,124,440	47,874,461	-	-
Total liabilities	105,734,823	3,018,119	108,752,942	64,027,132	2,418	-
DEFERRED INFLOWS OF RESOURCES						
Pension plan	511,464	20,001	531,465	2,380,053	-	-
Total deferred inflows of resources	511,464	20,001	531,465	2,380,053	-	-
NET POSITION						
Net investment in capital assets	(23,720,203)	13,314,101	(10,406,102)	48,990,266	643,671	15,297
Restricted	27,106,855	-	27,106,855	-	-	-
Unrestricted (deficit)	23,551,304	1,152,693	24,703,997	(42,301,769)	1,092,750	154,922
Total net position	\$ 26,937,956	\$ 14,466,794	\$ 41,404,750	\$ 6,688,497	\$ 1,736,421	\$ 170,219

See Notes to Financial Statements.

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 2

STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

		Program Revenues				Net (Expense) Revenue and Changes in Net Position						
				Operating	Capital	Primary Government			Component Units			
		Charges	Grants and	Grants and		Governmental	Business-type		School		Broadband	
Functions/Programs	Expenses	for Services	Contributions	Contributions		Activities	Activities	Totals	Board	EDA	Authority	
Primary Government:												
Governmental activities:												
General government administration	\$ 4,364,352	\$ 1,074,534	\$ 253,248	\$ -	\$ (3,036,570)	\$ -	\$ (3,036,570)	\$ -	\$ -	\$ -		
Judicial administration	1,718,583	126,036	561,084	-	(1,031,463)	-	(1,031,463)	-	-	-		
Public safety	12,337,219	1,853,647	1,661,719	122,036	(8,699,817)	-	(8,699,817)	-	-	-		
Public works	1,103,311	12,469	-	-	(1,090,842)	-	(1,090,842)	-	-	-		
Health and welfare	7,489,593	401,912	4,217,044	-	(2,870,637)	-	(2,870,637)	-	-	-		
Education	26,245,512	-	-	-	(26,245,512)	-	(26,245,512)	-	-	-		
Parks, recreation and cultural	1,301,536	111,628	150,654	-	(1,039,254)	-	(1,039,254)	-	-	-		
Community development	1,200,104	50,548	5,000	-	(1,144,556)	-	(1,144,556)	-	-	-		
Interest	3,045,826	-	-	-	(3,045,826)	-	(3,045,826)	-	-	-		
Total governmental activities	58,806,036	3,630,774	6,848,749	122,036	(48,204,477)	-	(48,204,477)	-	-	-		
Business-type activities:												
Airport	764,063	276,484	66,462	-	-	(421,117)	(421,117)	-	-	-		
Landfill	2,533,327	502,233	8,838	-	-	(2,022,256)	(2,022,256)	-	-	-		
Total business-type activities	3,297,390	778,717	75,300	-	-	(2,443,373)	(2,443,373)	-	-	-		
Total primary government	\$ 62,103,426	\$ 4,409,491	\$ 6,924,049	\$ 122,036	(48,204,477)	(2,443,373)	(50,647,850)	-	-	-		
Component Units:												
School Board	\$ 54,760,634	\$ 1,129,255	\$ 32,899,872	\$ -	-	-	-	(20,731,507)	-	-		
Economic Development Authority	184,121	11,375	143,382	50,000	-	-	-	-	20,636	-		
Broadband Authority	51	-	170,270	-	-	-	-	-	-	170,219		
Total component units	\$ 54,944,806	\$ 1,140,630	\$ 33,213,524	\$ 50,000	-	-	-	(20,731,507)	20,636	170,219		

General Revenues:

Taxes:						
General property taxes	40,829,686	-	40,829,686	-	-	-
Other local taxes:						
Local sales and use	3,304,851	-	3,304,851	-	-	-
Consumer utility tax	591,472	-	591,472	-	-	-
Consumption taxes	96,060	-	96,060	-	-	-
Motor vehicle licenses	1,093,406	-	1,093,406	-	-	-
Taxes on recordation and wills	549,880	-	549,880	-	-	-
Restaurant food taxes	759,517	-	759,517	-	-	-
Other taxes	211,802	-	211,802	-	-	-
Grants and contributions not restricted to specific programs	-	-	-	22,598,168	-	-
Intergovernmental, non-categorical aid	4,249,440	-	4,249,440	-	-	-
Use of money and property	352,115	-	352,115	646	7,176	-
Miscellaneous	483,069	22,060	505,129	858,156	16,145	-
Special item-refunding of Dogwood Village note receivable	(1,540,000)	-	(1,540,000)	-	-	-
Transfers	(2,397,604)	2,397,604	-	-	-	-
Total general revenues and transfers	48,583,694	2,419,664	51,003,358	23,456,970	23,321	-
Change in net position	379,217	(23,709)	355,508	2,725,463	43,957	170,219
Net position, beginning	26,558,739	14,490,503	41,049,242	3,963,034	1,692,464	-
Net position, ending	<u>\$ 26,937,956</u>	<u>\$ 14,466,794</u>	<u>\$ 41,404,750</u>	<u>\$ 6,688,497</u>	<u>\$ 1,736,421</u>	<u>\$ 170,219</u>

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 3

BALANCE SHEET GOVERNMENTAL FUNDS June 30, 2017

	General	Virginia Public Assistance	Debt Service	Capital Projects	Other Governmental Funds	Total
ASSETS						
Cash and cash equivalents	\$ 15,736,792	\$ -	\$ 1,094,182	\$ 5,034,618	\$ 79,645	\$ 21,945,237
Investments	3,349,158	-	-	-	-	3,349,158
Receivables, net:						
Taxes	2,499,345	-	-	-	-	2,499,345
Accounts receivable	1,579,439	-	-	24,716	-	1,604,155
Due from other governments	1,421,866	308,271	-	98,845	-	1,828,982
Due from other funds	115,047	-	-	-	-	115,047
Note receivable	15,845,000	-	-	-	-	15,845,000
Prepaid items	15,000	-	-	-	-	15,000
Restricted cash	-	-	-	27,101,855	-	27,101,855
Total assets	\$ 40,561,647	\$ 308,271	\$ 1,094,182	\$ 32,260,034	\$ 79,645	\$ 74,303,779
LIABILITIES						
Accounts payable and accrued expenditures	\$ 1,547,349	\$ 54,880	\$ -	\$ 106,533	\$ 26,579	\$ 1,735,341
Due to other funds	49,987	121,853	-	-	-	171,840
Unearned revenue	648,361	-	-	-	-	648,361
Total liabilities	2,245,697	176,733	-	106,533	26,579	2,555,542
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	18,010,772	-	-	-	-	18,010,772
Total deferred inflows of resources	18,010,772	-	-	-	-	18,010,772
FUND BALANCES						
Nonspendable	15,000	-	-	-	-	15,000
Restricted	-	-	-	27,106,855	-	27,106,855
Committed	-	131,538	-	677,350	53,066	861,954
Assigned	906,601	-	1,094,182	4,369,296	-	6,370,079
Unassigned	19,383,577	-	-	-	-	19,383,577
Total fund balances	20,305,178	131,538	1,094,182	32,153,501	53,066	53,737,465
Total liabilities, deferred inflows of resources and fund balances	\$ 40,561,647	\$ 308,271	\$ 1,094,182	\$ 32,260,034	\$ 79,645	\$ 74,303,779

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 4

RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION June 30, 2017

	Governmental Funds
Total fund balances - total governmental funds	\$ 53,737,465
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	
Governmental capital assets	\$ 75,617,956
Less accumulated depreciation and amortization	(21,153,431)
Net capital assets	54,464,525
Deferred outflows of resources - pension plan represent a consumption of net position that applies to a future period and are not recognized as deferred outflows of resources in the governmental funds.	
	1,665,487
Unearned revenue represents amounts that were not available to fund current expenditures and, therefore, is not reported as revenue in the governmental funds.	
	18,010,772
Internal service funds are used by management to charge the costs of goods provided to other departments or funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.	
	997,689
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Bonds payable, including unamortized premiums and discounts	(94,482,555)
Capital leases	(892,640)
Compensated absences	(1,009,425)
Interest payable	(1,264,906)
Deferred charge on refunding	1,345,467
Net pension liability	(3,969,227)
Other postemployment benefits	(1,153,232)
	(101,426,518)
Deferred inflows of resources - pension plan represent an acquisition of net position that applies to a future period and are not recognized as deferred inflows of resources in the governmental funds.	
	(511,464)
Net position of governmental activities	\$ 26,937,956

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 5

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS Year Ended June 30, 2017

	General	Virginia Public Assistance	Debt Service	Capital Projects	Other Governmental Funds	Total
Revenues:						
General property taxes	\$ 40,875,523	\$ -	\$ -	\$ -	\$ -	\$ 40,875,523
Other local taxes	6,511,988	-	-	-	-	6,511,988
Permits, privilege fees and regulatory licenses	439,084	-	-	-	-	439,084
Fines and forfeitures	223,539	-	-	-	-	223,539
Use of money and property	199,644	-	9,865	142,455	151	352,115
Charges for services	1,987,345	-	-	-	6,163	1,993,508
Miscellaneous	465,258	200	-	20,000	326	485,784
Recovered costs	1,082,720	-	-	-	-	1,082,720
Intergovernmental:						
Commonwealth	8,495,394	964,403	-	98,845	836	9,559,478
Federal	95,482	1,565,265	-	-	-	1,660,747
Total revenues	60,375,977	2,529,868	9,865	261,300	7,476	63,184,486
Expenditures:						
Current:						
General government administration	2,921,052	-	-	-	-	2,921,052
Judicial administration	1,690,432	-	-	-	9,671	1,700,103
Public safety	11,441,091	-	-	-	4,450	11,445,541
Public works	824,904	-	-	170,270	-	995,174
Health and welfare	4,104,084	3,234,603	-	-	-	7,338,687
Education	22,581,523	-	-	16,645	-	22,598,168
Parks, recreation and cultural	1,248,154	-	-	-	-	1,248,154
Community development	1,116,467	-	-	12,672	-	1,129,139
Nondepartmental	102,214	-	-	-	-	102,214
Capital outlay	-	-	-	2,781,039	-	2,781,039
Debt service:						
Principal	-	-	5,920,047	-	-	5,920,047
Interest and fiscal charges	-	-	3,999,097	-	-	3,999,097
Total expenditures	46,029,921	3,234,603	9,919,144	2,980,626	14,121	62,178,415
Excess of revenues over (under) expenditures	14,346,056	(704,735)	(9,909,279)	(2,719,326)	(6,645)	1,006,071
Other financing sources (uses):						
Capital lease proceeds	-	-	-	514,626	-	514,626
Lease revenue refunding bonds issued	-	-	23,165,000	24,945,000	-	48,110,000
Premium on lease revenue refunding bonds issued	-	-	2,100,030	2,298,273	-	4,398,303
Payment to refunded bond escrow agent	-	-	(24,470,000)	-	-	(24,470,000)
Transfers in	23,238	704,735	11,189,931	4,497,253	-	16,415,157
Transfers out	(17,094,951)	-	(981,500)	(735,020)	(1,290)	(18,812,761)
Other financing sources (uses), net	(17,071,713)	704,735	11,003,461	31,520,132	(1,290)	26,155,325
Net change in fund balances	(2,725,657)	-	1,094,182	28,800,806	(7,935)	27,161,396
Fund balance, beginning	23,030,835	131,538	-	3,352,695	61,001	26,576,069
Fund balance, ending	\$ 20,305,178	\$ 131,538	\$ 1,094,182	\$ 32,153,501	\$ 53,066	\$ 53,737,465

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 6

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES Year Ended June 30, 2017

	Governmental Funds	
Net change in fund balances - total governmental funds	\$	27,161,396
Reconciliation of amounts reported for governmental activities in the Statement of Activities:		
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 and amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization in the current period.		
Expenditures for capital assets	\$	1,991,961
Less depreciation and amortization expense		(1,559,365)
Excess of capital outlays over depreciation and amortization		432,596
Transfer of joint tenancy assets from Primary Government to the School Board Component Unit:		
Transfer of capital assets to component unit		(3,387,761)
Transfer of depreciation to component unit		(259,583)
		(3,647,344)
The net effect of miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) is to decrease net position.		(85,056)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Unearned revenue		(1,601,629)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Debt issued or incurred:		
Issuance of lease revenue refunding bonds		(48,110,000)
Premium on issuance of lease revenue refunding bonds		(4,398,303)
Issuance of capital lease		(514,626)
Payment to refunded bonds escrow agent to refund bonds-principal		24,470,000
Principal repayments:		
General obligation debt		4,359,248
Lease revenue bonds		940,000
Capital lease		620,799
		(22,632,882)
Deferred outflows of resources:		
Pension plan contributions subsequent to measurement date		(146,622)
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.		
Accrued interest		206,588
Compensated absences		(165,808)
Other postemployment benefits		(75,978)
Deferred charge on refunding		1,345,467
Amortization of deferred charge on refunding		(306,288)
Amortization of premium		217,504
Amortization of discounts		(510,000)
Pension expense		515,378
		1,226,863
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net income of the internal service funds are reported with governmental activities.		
Total revenues		7,347,760
Total expenses		(7,675,865)
		(328,105)
Change in net position of governmental activities	\$	379,217

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 7

STATEMENT OF NET POSITION PROPRIETARY FUNDS June 30, 2017

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Airport	Landfill	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 626,274	\$ 2,644,272	\$ 3,270,546	\$ 1,251,141
Investments	133,286	562,763	696,049	266,272
Receivables, net	17,828	50,374	68,202	-
Due from other governments	62,434	-	62,434	-
Due from other funds	-	-	-	59,412
Inventory	31,074	-	31,074	-
Total current assets	870,896	3,257,409	4,128,305	1,576,825
Noncurrent assets:				
Capital assets:				
Land	1,764,247	65,656	1,829,903	-
Buildings and improvements	11,694,683	72,702	11,767,385	-
Landfill development costs	-	3,349,705	3,349,705	-
Furniture, equipment and vehicles	145,774	1,141,983	1,287,757	-
Construction in progress	629,251	-	629,251	-
Less accumulated depreciation and amortization	(3,421,828)	(2,128,072)	(5,549,900)	-
Total capital assets, net of accumulated depreciation and amortization	10,812,127	2,501,974	13,314,101	-
Total noncurrent assets	10,812,127	2,501,974	13,314,101	-
Total assets	11,683,023	5,759,383	17,442,406	1,576,825
DEFERRED OUTFLOWS OF RESOURCES				
Pension plan	10,641	54,486	65,127	-
Total deferred outflows of resources	10,641	54,486	65,127	-
LIABILITIES				
Current liabilities:				
Accounts payable	75,646	119,374	195,020	60,994
Compensated absences	1,522	7,119	8,641	-
Accrued payroll	3,794	25,168	28,962	-
Due to other funds	240	2,379	2,619	-
Insurance and benefit claims	-	-	-	518,142
Total current liabilities	81,202	154,040	235,242	579,136
Noncurrent liabilities:				
Compensated absences	7,993	37,375	45,368	-
Other postemployment benefits	5,781	47,134	52,915	-
Net pension liability	25,360	129,853	155,213	-
Landfill obligation	-	2,532,000	2,532,000	-
Total noncurrent liabilities	39,134	2,746,362	2,785,496	-
Total liabilities	120,336	2,900,402	3,020,738	579,136
DEFERRED INFLOWS OF RESOURCES				
Pension plan	3,268	16,733	20,001	-
Total deferred outflows of resources	3,268	16,733	20,001	-
NET POSITION				
Net investment in capital assets	10,812,127	2,501,974	13,314,101	-
Unrestricted	757,933	394,760	1,152,693	997,689
Total net position	\$ 11,570,060	\$ 2,896,734	\$ 14,466,794	\$ 997,689

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 8

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 Year Ended June 30, 2017

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Airport	Landfill	Totals	
Operating revenues:				
Charges for services	\$ 276,484	\$ 502,233	\$ 778,717	\$ 7,344,455
Miscellaneous	19,102	2,958	22,060	3,305
Intergovernmental	66,462	8,838	75,300	-
Total operating revenues	362,048	514,029	876,077	7,347,760
Operating expenses:				
Personal services	103,040	672,676	775,716	-
Fringe benefits	20,845	140,515	161,360	-
Contractual services	37,788	864,000	901,788	-
Other charges	207,945	582,815	790,760	-
Insurance claims and other expenses	-	-	-	7,675,865
Depreciation and amortization	394,445	273,321	667,766	-
Total operating expenses	764,063	2,533,327	3,297,390	7,675,865
Operating loss	(402,015)	(2,019,298)	(2,421,313)	(328,105)
Loss before transfers	(402,015)	(2,019,298)	(2,421,313)	(328,105)
Transfers in	134,399	2,263,205	2,397,604	-
Change in net position	(267,616)	243,907	(23,709)	(328,105)
Total net position, beginning	11,837,676	2,652,827	14,490,503	1,325,794
Total net position, ending	\$ 11,570,060	\$ 2,896,734	\$ 14,466,794	\$ 997,689

COUNTY OF ORANGE, VIRGINIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2017

EXHIBIT 9
Page 1

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Airport	Landfill	Totals	
Cash flows from operating activities:				
Receipts from interfund services provided	\$ -	\$ -	\$ -	\$ 7,344,455
Receipts from customers	263,886	534,333	798,219	-
Claims and benefits paid	-	-	-	(7,570,643)
Payments to suppliers for goods and services	(191,405)	(1,267,491)	(1,458,896)	-
Payments to employees for services	(129,522)	(843,050)	(972,572)	-
Other receipts	19,102	2,958	22,060	3,305
Net cash used in operating activities	(37,939)	(1,573,250)	(1,611,189)	(222,883)
Cash flows from noncapital financing activities:				
Transfers from other funds	134,156	2,261,287	2,395,443	-
Net cash provided by noncapital financing activities	134,156	2,261,287	2,395,443	-
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(202,226)	-	(202,226)	-
Net cash used in capital and related financing activities	(202,226)	-	(202,226)	-
Cash flows from investing activities:				
Purchase of investments	(133,286)	(562,763)	(696,049)	(266,272)
Net cash used in investing activities	(133,286)	(562,763)	(696,049)	(266,272)
Net change in cash and cash equivalents	(239,295)	125,274	(114,021)	(489,155)
Cash and cash equivalents:				
Beginning	865,569	2,518,998	3,384,567	1,740,296
Ending	\$ 626,274	\$ 2,644,272	\$ 3,270,546	\$ 1,251,141

COUNTY OF ORANGE, VIRGINIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2017

EXHIBIT 9
Page 2

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Airport	Landfill	Totals	
Reconciliation of operating loss to net cash provided by (used in) operating activities:				
Operating loss	\$ (402,015)	\$ (2,019,298)	\$ (2,421,313)	\$ (328,105)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:				
Depreciation and amortization	394,445	273,321	667,766	-
Pension benefit	(4,087)	(17,775)	(21,862)	-
Changes in assets and liabilities:				
Decrease (increase) in:				
Accounts receivable	(79,060)	23,262	(55,798)	-
Deferred outflows of resources	1,137	5,028	6,165	-
Due from other funds	-	-	-	57,549
Inventory	4,696	-	4,696	-
Increase (decrease) in:				
Accounts payable	49,632	(17,676)	31,956	47,673
Accrued liabilities	(2,687)	(17,112)	(19,799)	-
Landfill obligation	-	197,000	197,000	-
Net cash used in operating activities	\$ (37,939)	\$ (1,573,250)	\$ (1,611,189)	\$ (222,883)

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 10

STATEMENT OF NET POSITION
FIDUCIARY FUNDS
June 30, 2017

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 682,057
Total assets	\$ 682,057
LIABILITIES	
Accounts payable	\$ 6,112
Amounts held for others	675,945
Total liabilities	\$ 682,057

COUNTY OF ORANGE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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 for 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 separate columns 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 and provides significant funding for operations as 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 (EDA) 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. The EDA prepares separate financial statements and can be obtained from the County.

The Orange County Broadband Authority (Authority) is included as a component unit because the Authority’s primary use of funds is to provide qualifying communications services to residents of the County. The County appoints all members of the Authority’s Board of Directors. The County may significantly influence the fiscal affairs of the Authority. The Authority does not prepare separate financial statements.

Related Organization – The Airport Commission serves as an advisory body to the Orange County Board of Supervisors. The Airport Commission serves as a liaison between the airport users, the Board of Supervisors, and the citizens of the community. The Airport Commission is to consult and advise the Board of Supervisors in matters affecting aviation policies, programs, personnel, finances and the acquisition and disposal of lands and properties related to the community aviation program, and to its long-range project program for aviation.

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

Note 1. Summary of Significant Accounting Policies (Continued)

B. Government-Wide and Fund Financial Statements

1. Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position 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 eliminated from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely significantly on fees charged to external parties. 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 Position 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 include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

2. 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 proprietary funds. 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.

The *Special Revenue Fund* accounts 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. Revenues are derived primarily from state and federal grants.

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

The *County Capital Project Funds* accounts for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds.

COUNTY OF ORANGE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

2. Fund Financial Statements (Continued)

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.

The *Insurance Internal Service Fund* is an internal service fund used to account for employee fringes provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis. The Internal Service Fund consists of the Insurance Fund.

Major proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund's principal ongoing operations. The principal operating revenues of the County's major proprietary funds are charges to customers for sales and services. Operating expenses for major proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Additionally, the County reports the following fund types:

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

The *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, Bond Escrow Agency and Parks and Recreation Foundation funds.

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 major 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.

COUNTY OF ORANGE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. 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 and available when related grant expenditures are incurred. 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 postemployment benefits, as well as expenditures related to claims and judgements 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.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position

1. Deposits and Investments

Cash and Cash Equivalents

For purposes of reporting cash flows, the County considers all cash accounts, including cash on hand, demand deposits, and all short-term investments with a maturity of three months or less to be cash equivalents.

Investments

Cash of individual funds is combined to form a pool of cash and investments. The pool consists primarily of demand deposits, certificates of deposit and external local government investment pools. The certificates of deposit are stated at fair value based on quoted market prices (level 1 inputs). The external local government investment pools are reported at amortized cost and classified as cash and cash equivalents if maturing in less than one year and as investments if maturing in more than one year. Interest earned as a result of pooling is distributed to the appropriate funds utilizing a formula based on average monthly balances.

2. Restricted Cash

In accordance with applicable capital lease agreements, the Capital Projects Fund reports restricted cash at June 30, 2017 of \$27,101,855 which consists of unspent capital lease proceeds.

COUNTY OF ORANGE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position (Continued)

3. Interfund Receivables and Payables

Outstanding balances between funds are reported as due to/from other funds, if applicable. 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.

4. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements using the consumption method.

5. Inventories

Inventories are valued using the first-in, first-out method. Inventories in the airport fund consist of fuel.

6. Taxes Receivable

Property is assessed at its estimated fair value and property taxes attach as an enforceable lien as of January 1st. 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.

COUNTY OF ORANGE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position (Continued)

7. 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 home in the County which serves the community's needs. The County agreed to finance the nursing home renovations as part of its bond issuance and is obligated to repay the funds to the bondholders. In relation to the agreement, a note was signed which requires the nursing home to reimburse the County principal and interest outstanding under the bond obligation as it becomes due. In December 2016, the bond was refunded and a revised agreement was entered into, reducing the note receivable by \$1,540,000 to \$15,845,000. The County additionally requires the nursing home to maintain a minimum of two years' worth of debt service payments in an escrow account. The County has not recorded this escrow account as it does not become property of the County until a default on the note occurs. The receivable has been deferred in the governmental funds as the amounts are not considered available; however, is recognized in the fund statements as recovered costs when normal payments are received. The note is due in the following installments:

Year(s) Ending June 30,	Governmental Activities	
	Principal	Interest
2018	\$ 630,000	\$ 687,188
2019	655,000	664,638
2020	680,000	637,938
2021	715,000	606,463
2022	750,000	569,838
2023-2027	4,345,000	2,234,063
2028-2032	5,535,000	1,075,594
2033-2034	2,535,000	102,300
	<u>\$ 15,845,000</u>	<u>\$ 6,578,022</u>

8. 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 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 acquisition value at the date of donation.

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.

COUNTY OF ORANGE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position (Continued)

8. Capital Assets (Continued)

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; however, no interest was capitalized during the year because there is no outstanding debt in the enterprise funds.

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

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

Landfill development costs are depreciated based on the percentage of capacity used compared to the total estimated capacity.

9. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County and discretely presented component unit, the School Board, have five items that qualify for reporting in this category. The first item is a deferred charge on refunding resulting from the difference in carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the life of the refunded or refunding debt. The four additional items are the employer's fiscal year 2017 Virginia Retirement System contributions, the changes in proportion and differences between employer contributions and proportionate share of contributions, the net difference between projected and actual earnings on pension plan investments, and differences between expected and actual experience and are reported in the government-wide Statement of Net Position for the Governmental Activities, Business-type Activities and School Board and on the Proprietary Funds Statement of Net Position for the Airport Fund and Landfill Fund.

COUNTY OF ORANGE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position (Continued)

9. Deferred Outflows and Inflows of Resources (Continued)

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Three types of items qualify for reporting in this category. Accordingly, one item, unavailable revenue, which arises under the modified accrual basis of accounting, is reported only in the governmental funds Balance Sheet. The governmental funds report unavailable revenue from property taxes, EMS billings, a long-term note receivable, an amount due from the Town of Gordonsville, and other items not collected within the available period. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The two additional items, the difference between expected and actual experience plus the changes in proportion and differences between employer contributions and proportionate share of contributions, are reported in the government-wide Statement of Net Position for the Governmental Activities, Business-type Activities and School Board and on the Proprietary Funds Statement of Net Position for the Airport Fund and Landfill Fund.

10. 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.

11. 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 Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line 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.

COUNTY OF ORANGE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position (Continued)

12. Pensions

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

13. Fund Balances/Net Position

a. 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, if applicable.
- *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.
- *Committed* – Amounts constrained to specific purposes by the County, using Board of Supervisors resolution; 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 are constrained by intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by the County Administrator or designated department head based on governing body direction, through adoption or amendment of the budget, or through ordinance or resolution.
- *Unassigned* – Amounts that are available for any purpose; positive amounts are reported only in the general fund.

COUNTY OF ORANGE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position (Continued)

13. Fund Balances/Net Position (Continued)

b. 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 the unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

c. Minimum Fund Balance Policy

Within its General Fund, the County's policy is to maintain a fiscal stability reserve amount for cash liquidity purposes. That balance should 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 funds of the County do not have specified fund balance or net position 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.

d. 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. In accordance with the County's adopted budget process, encumbered funds are reappropriated annually by the Board of Supervisors in the succeeding year's budget amendment. Encumbrances outstanding at year end total \$45,582 in the General Fund and \$591,677 in the County Capital Projects Fund. These amounts are reported as assigned fund balance since they do not constitute expenditures or liabilities.

COUNTY OF ORANGE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position (Continued)

13. Fund Balances/Net Position (Continued)

e. Net Position

Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets represent capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets.

f. 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.

E. Subsequent Events

The County has evaluated subsequent events through November 27, 2017, the date on which the financial statements were available to be issued.

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 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, Asset Forfeiture Fund, School Operating Fund, School Textbook Adoptions 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 function level. The appropriation for each function can be revised by the Board of Supervisors only. Amounts that do not fall under a function's control are categorized as non-departmental even though they may relate to a particular function.

COUNTY OF ORANGE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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 Funds). The School Funds are integrated only at the level of legal adoption.
6. All budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).
7. Appropriations lapse on June 30.
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 percent to 130 percent of excess deposits. Accordingly, all deposits are considered fully collateralized.

Custodial Credit Risk (Deposits): This is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County's investment policy requires all deposits comply with the Act. At year end, none of the County's deposits were exposed to custodial credit risk.

Investments: State statutes authorize local governments and other public bodies to invest in obligations of the United States or its 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, bankers' acceptances, repurchase agreements, the State Treasurer's Local Government Investment Pool (LGIP), the Virginia Investment Pool (VIP), and the State Non-Arbitrage Program (SNAP).

The State Treasurer's Local Government Investment Pool (LGIP) is an external investment pool and a professionally managed money market fund which invests in qualifying obligations and securities as permitted by Virginia statutes. Pursuant to Section 2.2-4605 of the *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings. The County's investments in the LGIP, totaling \$19,157,084, are stated at amortized cost and classified as cash and cash equivalents. The LGIP has been assigned an "AAAm" rating by Standard & Poor's. The maturity of the LGIP is less than one year.

The Virginia Investment Pool (VIP) is a commingled investment program organized as an external local government investment pool with oversight provided by a shareholder elected board of trustees. VIP is designed for the investment of longer-term monies that are not necessary for near term disbursement. VIP has a bond fund rating from S&P of AAf/S1.

COUNTY OF ORANGE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 3. Deposits and Investments (Continued)

Investments (Continued): The Virginia State Non-Arbitrage Program's (SNAP) SNAP Fund is a commingled investment program that operates in compliance with GASB 79 and that was authorized by the Government Non-Arbitrage Act in 1989 (Code of Virginia Section 2.2-4700 ew seq.). Virginia SNAP and the SNAP Fund are administered by the Treasury Board of the Commonwealth of Virginia. Virginia SNAP offers several investment options, including the SNAP Fund, and arbitrage rebate reporting services that are specifically designed for the investment of tax exempt bond proceeds.

Investment Policy: The County has adopted a formal investment policy. The primary investment goals of the County are the safeguarding of principal, the investment portfolio be managed at all times with sufficient liquidity to meet all daily and seasonal needs, as well as special projects and other operations requirements either know or which might be reasonably anticipated and with the objective of obtaining no worse than a market rate of return over the course of budgetary and economic cycles, taking into account the constraints contained herein and the cash flow patterns of the County.

As of June 30, 2017, the County's investment policy establishes investment types and quality levels for use by the County in the investment of its public funds:

Permitted Investment	Sector Limit	Issuer Limit
U.S. Treasury Obligations	100%	100%
Federal Agency Obligations	100%	100%
Municipal Obligations	100%	100%
Repurchase Agreements	100%	100%
Certificates of Deposit	100%	100%
Bankers' Acceptances	40%	100%
Commercial Paper	35%	5%
Corporate Notes and Bonds	100%	100%
Money Market Mutual Funds	100%	100%

Credit Risk: Credit risk is the risk that the County funds will not recover their investments due to the ability of the counterparty to fulfill its obligation. The County's policy requires commercial paper must be issued by an entity incorporated in the U.S. and rates 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 Aa by Moody's. Municipal obligations must have a rating of at least AA (or it's equivalent) by Standard & Poor's or Moody's Investors Service. Bankers' Acceptances issued by a domestic bank or a foreign bank with an agency domiciled in the U.S., must be rated by Thomson Bankwatch at least "B/C" (issuing bank) and "I" (County of origin). Money market mutual funds must trade on a constant net asset value and invest solely in securities otherwise eligible for investment under these guidelines.

The County's investments as of June 30, 2017 are presented in the following table using the Standard & Poor's rating scale.

Rated Debt Investment	Fair Quality Ratings	
	AAAm	AAf
Local Government Investment Pool	\$ 19,157,084	\$ -
Virginia Investment Pool	-	5,113,698
State Non-Arbitrage Pool	27,101,856	-

COUNTY OF ORANGE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 3. Deposits and Investments (Continued)

Custodial Credit Risk (Investments): This is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of items investments or collateral securities that are in the possession of an outside party.

Concentration of Credit Risk: Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. If certain investments in any one issuer represent 5 percent of total investments, there must be a disclosure for the amount and issuer. Investments issued or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement, therefore, concentration of credit risk does not apply to the LGIP, VIP or SNAP.

Interest Rate Risk: Interest rate risk is defined as the risk that changes of interest rates will adversely affect the fair value of an investment. The County does not have policies related to interest rate risk. Interest rate risk does not apply to the LGIP and VIP.

	Fair Value	Investment Maturities	
		Less Than 1 Year	1 - 5 Years
Certificates of deposit	\$ 518,229	\$ 518,229	\$ -
Local Government Investment Pool	19,157,084	19,157,084	-
Virginia Investment Pool	5,113,698	-	5,113,698
State Non-Arbitrage Pool	<u>27,101,856</u>	27,101,856	-
	<u>\$ 51,890,867</u>		

It is recognized that, prior to maturity, the market value of securities in the County's portfolio may fluctuate due to changes in market conditions. In view of this and the County's primary investment objectives of liquidity and preservation of principal, every effort shall be made to manage investment maturities to precede or coincide with the expected needs for funds. Accordingly, a minimum of 10 percent of the portfolio must be invested in securities maturing within 30 days and a minimum of 50 percent of the portfolio funds must be invested in securities maturing within 12 months.

The County categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The County has the following recurring fair value measurement as of June 30, 2017:

- Certificates of deposit of \$518,229 are valued using quoted market prices (Level 1 inputs).

COUNTY OF ORANGE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 3. Deposits and Investments (Continued)

At June 30, 2017, the deposits and investments were as follows:

Deposits:	
Demand deposits	\$ 14,636,620
Cash on hand	5,965
Total deposits	14,642,585
Investments:	
Certificates of deposit	518,229
Local Government Investment Pool	19,157,084
Virginia Investment Pool	5,113,698
State Non-Arbitrage Pool	27,101,856
Total investments	51,890,867
Total deposits and investments	\$ 66,533,452

Total deposits and investments are composed as follows:

Deposits and investments:	
Cash and cash equivalents:	
Governmental Activities	\$ 23,196,378
Business-type Activities	3,270,546
Component Unit - School Board	6,600,885
Component Unit - EDA	1,095,168
Component Unit - Broadband Authority	154,922
Total cash and cash equivalents	34,317,899
Restricted cash:	
Governmental Activities	27,101,855
Total restricted cash	27,101,855
Investments:	
Governmental Activities	3,615,430
Business-type Activities	696,049
Component Unit - School Board	802,219
Total investments	5,113,698
Total deposits and investments	\$ 66,533,452

COUNTY OF ORANGE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 4. Receivables

Receivables consist of the following:

	Governmental Activities	Business-Type Activities	Total Primary Government	Component Unit - School Board
Receivables:				
Taxes	\$ 2,888,959	\$ -	\$ 2,888,959	\$ -
Less allowance for uncollectible accounts	(389,614)	-	(389,614)	-
Net taxes receivable	2,499,345	-	2,499,345	-
Accounts	2,101,604	68,202	2,169,806	64,157
Less allowance for uncollectible accounts	(497,449)	-	(497,449)	-
Net accounts receivable	1,604,155	68,202	1,672,357	64,157
Total receivables	\$ 4,103,500	\$ 68,202	\$ 4,171,702	\$ 64,157

Taxes receivable represent the current and past four years of uncollected tax levies for personal property taxes and the current and past 19 years for uncollected tax levies on real property. Governmental activities accounts receivable is comprised of amounts due for EMS billings and other local revenues. The allowances for uncollectible accounts are based on historical collection rates aging of receivable balances, and specific account analysis.

The component units' receivables are considered fully collectible and, therefore, an allowance for uncollectible accounts is not applicable for those receivables.

Note 5. Unavailable and Unearned Revenue

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unavailable and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Property taxes receivable, net of allowance	\$ 1,813,216	\$ -
Advance collection of 2017-2018 taxes	-	648,361
EMS transport fees	254,736	-
Long-term note receivable	15,845,000	-
Town of Gordonsville	95,000	-
Other	2,820	-
	\$ 18,010,772	\$ 648,361

COUNTY OF ORANGE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Due From Other Governmental Units

Amounts due from other governments consist of the following:

Primary Government:

Governmental Funds:

General Fund:

Other local government:

Town of Gordonsville	\$ 95,000
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Commonwealth of Virginia:

Communications sales and use taxes	222,147
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Children's Services Act	717,556
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Categorical aid:

Shared costs:

Commissioner of the Revenue	8,539
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Commonwealth Attorney	24,097
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Sheriff	116,075
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Clerk of Circuit Court	22,652
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Treasurer	8,508
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Other	140,698
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Federal government:

Public safety	66,594
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Total General Fund	1,421,866
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Virginia Public Assistance Fund:

Commonwealth of Virginia:

Public assistance	115,822
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Federal government:

Public assistance	192,449
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Total Virginia Public Assistance Fund	308,271
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County Capital Projects Fund:

Commonwealth of Virginia:

EMS E-911	98,845
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Total County Capital Projects Fund	98,845
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Total Primary Government - Governmental Funds	1,828,982
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Total Primary Government - Governmental Activities	\$ 1,828,982
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COUNTY OF ORANGE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Due From Other Governmental Units (Continued)

Business-Type Activities:

Airport Enterprise Fund:

Commonwealth of Virginia:

Aviation grant	\$ 62,434
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Total Airport Enterprise Fund	62,434
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Total Business-Type Activities	\$ 62,434
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Component Unit - School Board:

School Operating Fund:

Commonwealth of Virginia:

State sales tax receipts	\$ 987,595
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VPSA Technology	284,000
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1,271,595

Federal government:

Education grants	499,386
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Other	23,546
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522,932

Total School Operating Fund	1,794,527
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Adult Education Fund:

Federal government:

Adult literacy services	43,313
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Total Adult Education Fund	43,313
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School Cafeteria Fund:

Federal government:

School food program	41,588
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Total School Cafeteria Fund	41,588
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Head Start Fund:

Federal government:

Head Start program	288,435
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Total School Cafeteria Fund	288,435
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Total Component Unit - School Board	\$ 2,167,863
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COUNTY OF ORANGE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Interfund Transfers

Interfund transfers consist of the following:

Fund	Transfer In	Transfer Out
Primary Government:		
Governmental Activities:		
General	\$ 23,238	\$ 17,094,951
Virginia Public Assistance	704,735	-
Debt Service	11,189,931	981,500
Capital Projects	4,497,253	735,020
Other Governmental Funds	-	1,290
Total Governmental Activities	16,415,157	18,812,761
Business-Type Activities:		
Airport	134,399	-
Landfill	2,263,205	-
Total Business-Type Activities	2,397,604	-
Total Primary Government	\$ 18,812,761	\$ 18,812,761
Component Unit - School Board:		
School Board:		
School Operating	\$ -	\$ 1,021,560
School Textbook Adoptions	524,941	-
Adult Education	8,919	-
School Capital Projects	487,700	-
Total Component Unit - School Board	\$ 1,021,560	\$ 1,021,560

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

COUNTY OF ORANGE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Interfund Receivables, Payables, and Due to (From) Primary Government / Component Unit

Interfund and due to (from) primary government / component unit balances at June 30, 2017 are as follows:

Fund	Interfund Receivable	Interfund Payable
Primary Government:		
Governmental Funds:		
General	\$ 115,047	\$ 49,987
Virginia Public Assistance	-	121,853
Total Governmental Funds	115,047	171,840
Proprietary Funds:		
Airport	-	240
Landfill	-	2,379
Internal Service Fund	59,412	-
Total Proprietary Funds	59,412	2,619
Total Primary Government	\$ 174,459	\$ 174,459
School Board Component Unit:		
School Operating	\$ 157,959	\$ -
Adult Education	-	41,392
Head Start	-	116,567
Total Component Unit - School Board	\$ 157,959	\$ 157,959

The receivables and payables are due to (1) the Internal Service Fund initially paid for various health care expenses, (2) the General Fund aided in funding the operations of the Virginia Public Assistance Fund and, (3) the School Operating Fund aided in funding the operations of various School funds.

COUNTY OF ORANGE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Capital Assets

Capital asset activity for the year consists of the following:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets not being depreciated or amortized:					
Land	\$ 1,028,445	\$ -	\$ -	\$ -	\$ 1,028,445
Easements	41,990	-	-	-	41,990
Construction in progress	213,478	512,740	(32,000)	(32,958)	661,260
Total capital assets not being depreciated or amortized	1,283,913	512,740	(32,000)	(32,958)	1,731,695
Capital assets being depreciated or amortized:					
Buildings and improvements	20,346,423	-	(37,566)	-	20,308,857
School buildings and improvements	45,232,173	-	(3,387,761)	-	41,844,412
Furniture, equipment and vehicle	10,331,179	1,479,221	(85,414)	8,006	11,732,992
Total capital assets being depreciated or amortized	75,909,775	1,479,221	(3,510,741)	8,006	73,886,261
Less accumulated depreciation and amortization:					
Buildings and improvements	5,682,271	495,425	-	-	6,177,696
School buildings and improvements	6,632,064	259,583	-	-	6,891,647
Furniture, equipment and vehicle	7,115,024	1,063,940	(69,924)	(24,952)	8,084,088
Total accumulated depreciation and amortization	19,429,359	1,818,948	(69,924)	(24,952)	21,153,431
Total capital assets being depreciated or amortized, net	56,480,416	(339,727)	(3,440,817)	32,958	52,732,830
Governmental activities capital assets, net	\$ 57,764,329	\$ 173,013	\$ (3,472,817)	\$ -	\$ 54,464,525

COUNTY OF ORANGE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities:					
Capital assets not being depreciated or amortized:					
Land	\$ 1,829,903	\$ -	\$ -	\$ -	\$ 1,829,903
Construction in progress	507,926	121,325	-	-	629,251
Total capital assets not being depreciated or amortized	2,337,829	121,325	-	-	2,459,154
Capital assets being depreciated or amortized:					
Buildings and improvements	11,767,385	-	-	-	11,767,385
Landfill development costs	3,349,705	-	-	-	3,349,705
Furniture, equipment and vehicle	1,196,464	80,901	(14,560)	24,952	1,287,757
Total capital assets being depreciated or amortized	16,313,554	80,901	(14,560)	24,952	16,404,847
Less accumulated depreciation and amortization:					
Buildings and improvements	2,981,733	392,070	-	-	3,373,803
Landfill development costs	814,286	210,854	-	-	1,025,140
Furniture, equipment and vehicle	1,075,723	64,842	(14,560)	24,952	1,150,957
Total accumulated depreciation and amortization	4,871,742	667,766	(14,560)	24,952	5,549,900
Total capital assets being depreciated or amortized, net	11,441,812	(586,865)	-	-	10,854,947
Business-type activities capital assets, net	\$ 13,779,641	\$ (465,540)	\$ -	\$ -	\$ 13,314,101

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

	Governmental Activities	Business- Type Activities	Total Primary Government
General government administration	\$ 545,485	\$ -	\$ 545,485
Judicial administration	5,096	-	5,096
Public safety	853,119	-	853,119
Public works	66,203	-	66,203
Health and welfare	23,475	-	23,475
Parks, recreation, and cultural	42,137	-	42,137
Community development	23,850	-	23,850
Airport	-	394,445	394,445
Landfill	-	273,321	273,321
Total depreciation expense, primary government	\$ 1,559,365	\$ 667,766	\$ 2,227,131

COUNTY OF ORANGE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Capital Assets (Continued)

Discretely Presented Component Unit – School Board

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

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Component Unit - School Board:					
Capital assets not being depreciated or amortized:					
Land	\$ 1,855,343	\$ -	\$ -	\$ -	\$ 1,855,343
Construction in progress	858,616	1,458,193	-	-	2,316,809
Total capital assets not being depreciated or amortized	2,713,959	1,458,193	-	-	4,172,152
Capital assets being depreciated or amortized:					
Buildings and improvements	143,650,757	-	-	-	143,650,757
Allocated to County	(45,232,173)	3,387,761	-	-	(41,844,412)
Furniture, equipment and vehicle	14,949,377	860,051	(536,515)	-	15,272,913
Total capital assets being depreciated or amortized	113,367,961	4,247,812	(536,515)	-	117,079,258
Less accumulated depreciation and amortization:					
Buildings and improvements	59,243,054	2,704,988	-	-	61,948,042
Allocated to County	(6,632,064)	(259,583)	-	-	(6,891,647)
Furniture, equipment and vehicle	10,082,713	994,888	(426,827)	-	10,650,774
Total accumulated depreciation and amortization	62,693,703	3,440,293	(426,827)	-	65,707,169
Total capital assets being depreciated or amortized, net	50,674,258	807,519	(109,688)	-	51,372,089
School Board capital assets, net	\$ 53,388,217	\$ 2,265,712	\$ (109,688)	\$ -	\$ 55,544,241

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 in an amount equal to the outstanding balance of the debt. 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

Note 9. Capital Assets (Continued)

Discretely Presented Component Unit – EDA

Capital asset activity for the EDA for the year consists of the following:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Component Unit - EDA:					
Capital assets not being depreciated:					
Land	\$ 217,972	\$ -	\$ -	\$ -	\$ 217,972
Construction in progress	358,564	67,135	-	-	425,699
EDA capital assets, net	<u>\$ 576,536</u>	<u>\$ 67,135</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 643,671</u>

Discretely Presented Component Unit – Broadband Authority

Capital asset activity for the Broadband Authority for the year consists of the following:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Component Unit - Broadband Authority:					
Capital assets not being depreciated:					
Construction in progress	\$ -	\$ 15,297	\$ -	\$ -	\$ 15,297
Broadband Authority capital assets, net	<u>\$ -</u>	<u>\$ 15,297</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,297</u>

COUNTY OF ORANGE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Long-Term Liabilities

Changes in long-term liabilities consist of the following:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 43,868,651	\$ -	\$ 4,359,248	\$ 39,509,403	\$ 4,459,467
Premium on bonds	2,682,353	-	217,504	2,464,849	-
	46,551,004	-	4,576,752	41,974,252	4,459,467
Lease revenue/refunding bonds	25,410,000	48,110,000	25,410,000	48,110,000	1,110,000
Discount on bonds	(510,000)	-	(510,000)	-	-
Premium on bonds	-	4,398,303	-	4,398,303	-
	24,900,000	52,508,303	24,900,000	52,508,303	1,110,000
Bonds payable, net	71,451,004	52,508,303	29,476,752	94,482,555	5,569,467
Capital leases	998,813	514,626	620,799	892,640	552,840
Other postemployment benefits	1,077,254	75,978	-	1,153,232	-
Compensated absences	843,617	1,430,548	1,264,740	1,009,425	757,069
	2,919,684	2,021,152	1,885,539	3,055,297	1,309,909
	\$ 74,370,688	\$ 54,529,455	\$ 31,362,291	\$ 97,537,852	\$ 6,879,376
Business-type activities:					
Compensated absences	\$ 44,007	\$ 56,278	\$ 46,276	\$ 54,009	\$ 8,641
Other postemployment benefits	53,730	-	815	52,915	-
Landfill obligation	2,335,000	197,000	-	2,532,000	-
	\$ 2,432,737	\$ 253,278	\$ 47,091	\$ 2,638,924	\$ 8,641

Both compensated absences and other postemployment benefits for governmental activities are expected to be paid out of the General and Virginia Public Assistance Funds.

Discretely Presented Component Unit – School Board

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences	\$ 703,672	\$ 1,180,052	\$ 520,204	\$ 1,363,520	\$ 175,144
Other postemployment benefits	2,722,910	129,317	-	2,852,227	-
Capital leases	7,147,153	-	593,178	6,553,975	380,795
	\$ 10,573,735	\$ 1,309,369	\$ 1,113,382	\$ 10,769,722	\$ 555,939

COUNTY OF ORANGE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Long-Term Liabilities (Continued)

Details of long-term obligations are as follows:

General Obligation Bonds:

County Projects:

\$1,279,119 general obligation bond for Industrial Park improvements, issued December 2005, due in an annual installments of \$129,841 in July 2017, plus semi-annual interest at 3.87%. \$ 129,841

School Board Projects:

\$2,830,000 VPSA general obligation bond, issued November 2000, due in annual installments of \$150,000 to \$175,000 through July 2020, plus semi-annual interest at 5.10%. 655,000

\$25,000,000 school improvement general obligation bond, issued May 2001, due in annual installments of \$1,595,000 to \$1,955,000 through July 2021, plus semi-annual interest at 5.10%. The bond was issued at a premium of \$304,286 which will be amortized over the life of the bond. 8,855,000

\$1,615,000 VPSA general obligation bond, issued November 2002, due in annual installments of \$95,000 to \$125,000 through July 2023, plus semi-annual interest at 4.60% to 5.10%. The bond was issued at a premium of \$60,150 which will be amortized over the life of the bond. 650,000

\$13,935,316 school improvement general obligation bond, issued November 2005, due in annual installments of \$699,626 to \$747,800 through July 2025, plus semi-annual interest at 4.00 to 5.10%. The bond was issued at a premium of \$1,064,684 which will be amortized over the life of the bond. 6,519,562

\$5,220,000 VPSA general obligation bond, issued November 2007, due in annual installments of \$260,000 through July 2027, plus semi-annual interest at 4.35% to 5.10%. The bond was issued at a premium of \$280,267 which will be amortized over the life of the bond. 2,860,000

\$30,550,000 VPSA general obligation bond, issued November 2009, due in annual installments of \$1,525,000 to \$1,530,000 through July 2029, plus semi-annual interest at 4.05% to 5.05%. The bond was issued at a premium of \$2,700,808 which will be amortized over the life of the bond. 19,840,000

Total General Obligation Bonds \$ 39,509,403

COUNTY OF ORANGE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Long-Term Liabilities (Continued)

Lease Revenue and Refunding Bond:

\$48,110,000 lease revenue and refunding bonds for the public safety communications system, consolidated E-911 dispatch and facility, and rural broadband initiative, issued December 2016, due in annual installments of \$1,110,000 to \$4,035,000 through June 2037, plus interest payable annually at 3.13% to 5.00%. The bond was issued at a premium of \$4,398,303 which will be amortized over the life of the bond.

\$ 48,110,000

Total Lease Revenue and Refunding Bond

\$ 48,110,000

Capital Leases:

\$1,644,968 capital lease obligation (payable from the General Fund), issued March 2008, secured by vehicles, due in an annual installment of \$190,860 in February 2018, plus semi-annual interest at 3.57%.

\$ 190,860

\$747,000 capital lease obligation (payable from the General Fund), issued September 2012, secured by equipment, due in an annual installment of \$77,714 in September 2017, plus semi-annual interest at 1.78%.

77,714

\$56,207 capital lease obligation (payable from the General Fund), issued July 2013, secured by equipment, annual maturity of \$14,052 through July 2018, with no interest due.

28,103

\$494,870 capital lease obligation (payable from the General Fund), issued December 2014, secured by vehicles, semi-annual maturity from \$49,667 to \$51,235 through December 2019, plus semi-annual interest at 1.56%.

252,241

\$514,626 capital lease obligation (payable from the General Fund), issued July 2016, secured by vehicles, semi-annual maturity from \$84,906 to \$86,960 through March 2019, plus semi-annual interest at 1.60%.

343,722

Total Capital Leases

\$ 892,640

COUNTY OF ORANGE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Long-Term Liabilities (Continued)

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

Year(s) Ending June 30,	Governmental Activities					
	General Obligation Bonds		Lease Revenue and Refunding Bond		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 4,459,467	\$ 1,827,025	\$ 1,110,000	\$ 2,102,457	\$ 552,840	\$ 15,873
2019	4,435,456	1,601,768	1,150,000	2,066,471	288,565	4,067
2020	4,541,590	1,381,268	1,345,000	2,020,587	51,235	400
2021	4,648,046	1,155,621	1,400,000	1,963,232	-	-
2022	4,579,840	921,491	1,455,000	1,896,979	-	-
2023-2027	12,010,004	2,473,728	18,500,000	7,094,408	-	-
2028-2032	4,835,000	323,639	13,200,000	3,297,153	-	-
2033-2037	-	-	9,950,000	758,369	-	-
	<u>\$ 39,509,403</u>	<u>\$ 9,684,540</u>	<u>\$ 48,110,000</u>	<u>\$ 21,199,656</u>	<u>\$ 892,640</u>	<u>\$ 20,340</u>

The assets acquired through capital leases are as follows:

	Governmental Activities
Vehicles - Pierce fire trucks	\$ 1,644,939
Equipment - financial software and other equipment	803,207
Ambulances	1,252,431
	<u>3,700,577</u>
Less accumulated depreciation or amortization	<u>(2,201,894)</u>
	<u>\$ 1,498,683</u>

Capital Leases – School Board:

\$6,198,242 capital lease obligation, issued March 2013, secured by equipment, semi-annual maturity from \$163,190 to \$317,940 through September 2028, plus semi-annual interest at 2.59%.	\$ 5,356,505
\$1,259,830 capital lease obligation, issued July 2015, secured by equipment, semi-annual maturity from \$28,280 to \$62,142 through January 2031, plus semi-annual interest at 2.39%.	<u>1,197,470</u>
	<u>\$ 6,553,975</u>

COUNTY OF ORANGE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Long-Term Liabilities (Continued)

Capital Leases – School Board: (Continued)

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

Year(s) Ending June 30,	Capital Leases	
	Principal	Interest
2018	\$ 380,795	\$ 165,240
2019	407,315	155,336
2020	435,019	144,747
2021	463,953	133,442
2022	497,434	121,388
2023-2027	2,991,326	396,326
2028-2031	1,378,133	52,081
	<u>\$ 6,553,975</u>	<u>\$ 1,168,560</u>

Assets acquired through capital leases are as follows:

	Governmental Activities
Phone system	\$ 1,152,889
Energy performance contract - phase 1	6,191,956
Energy performance contract - phase 2	1,360,208
	<u>8,705,053</u>
Less accumulated depreciation	<u>(1,978,483)</u>
	<u>\$ 6,726,570</u>

Note 11. Debt Refunding

In December 2016, the County issued \$48,110,000 in lease revenue and refunding bonds, plus a premium of \$4,398,303, with interest rates ranging from 3.13 percent to 5.00 percent. The proceeds were used to current refund \$24,470,000 of outstanding 2007 lease revenue and refunding bonds. As a result, the 2007 lease revenue and refunding bonds are considered defeased and the liability for those bonds has been removed from the Statement of Net Position.

The reacquisition price exceeded the net carrying amount of the old debt by \$1,345,467. This amount will be amortized over the remaining life of the refunding debt. The County current refunded the 2007 lease revenue and refunding bonds to reduce its total debt service payments over 17 years by \$3,018,203 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$2,264,634.

COUNTY OF ORANGE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Pension Plan

Name of Plan: Virginia Retirement System (VRS)

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

Administering Entity: Virginia Retirement System (System)

A. Plan Description

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

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

Plan 1	Plan 2	Hybrid Retirement Plan
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.	About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.	About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (See "Eligible Members") • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

COUNTY OF ORANGE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.	Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.	About the Hybrid Retirement Plan (Continued) • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
Hybrid Opt-In Election Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.	Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.	Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • Political subdivision employees.* • School division employees (teachers). • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 through April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.
The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.	The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.	*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.
If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	

COUNTY OF ORANGE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution, but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016.	Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.
Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	Creditable Service Same as Plan 1.	Creditable Service <u>Defined Benefit Component</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. <u>Defined Contribution Component</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

COUNTY OF ORANGE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.	Vesting Same as Plan 1.	Vesting <u>Defined Benefit Component</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. <u>Defined Contribution Component</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70 ½.

COUNTY OF ORANGE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	Calculating the Benefit See definition under Plan 1.	Calculating the Benefit <u>Defined Benefit Component</u> See definition under Plan 1. <u>Defined Contribution Component</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.	Service Retirement Multiplier Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. The retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.	Service Retirement Multiplier <u>Defined Benefit Component</u> The retirement multiplier for the defined benefit component is 1.0%. For members that opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.
Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.	Sheriffs and regional jail superintendents: Same as Plan 1. Political subdivision hazardous duty employees: Same as Plan 1.	Sheriffs and regional jail superintendents: Not applicable. Political subdivision hazardous duty employees: Not applicable. <u>Defined Contribution Component</u> Not applicable.

COUNTY OF ORANGE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
Normal Retirement Age Age 65. Political subdivisions hazardous duty employees: Age 60.	Normal Retirement Age Normal Social Security retirement age. Political subdivisions hazardous duty employees: Same as Plan 1.	Normal Retirement Age <u>Defined Benefit Component</u> Same as Plan 2. Political subdivisions hazardous duty employees: Not applicable. <u>Defined Contribution Component</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.	Earliest Unreduced Retirement Eligibility Normal Social Security retirement age and have at least 5 years (60 months) of creditable service or when their age and service equal 90. Political subdivisions hazardous duty employees: Same as Plan 1.	Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component</u> Normal Social Security retirement age and have at least 5 years (60 months) of creditable service or when their age and service equal 90. Political subdivisions hazardous duty employees: Not applicable. <u>Defined Contribution Component</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service. Political subdivisions hazardous duty employees: Age 50 with at least five years of creditable service.	Earliest Reduced Retirement Eligibility Age 60 with at least five years (60 months) of creditable service. Political subdivisions hazardous duty employees: Same as Plan 1.	Earliest Reduced Retirement Eligibility <u>Defined Benefit Component</u> Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. Political subdivisions hazardous duty employees: Not applicable. <u>Defined Contribution Component</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.

COUNTY OF ORANGE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.	Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 2%) up to a maximum COLA of 3%.	Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component</u> Same as Plan 2.
<u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.	<u>Eligibility:</u> Same as Plan 1.	<u>Eligibility:</u> Same as Plan 1 and Plan 2.
<u>Exceptions to COLA Effective Dates:</u> School Division (Teachers) and Political Subdivision Employees: The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability.	<u>Exceptions to COLA Effective Dates:</u> School Division (Teachers) and Political Subdivision Employees: Same as Plan 1.	<u>Exceptions to COLA Effective Dates:</u> School Division (Teachers) and Political Subdivision Employees: Same as Plan 1 and Plan 2.

COUNTY OF ORANGE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
Cost-of-Living Adjustment (COLA) in Retirement (Continued)		
<u>Exceptions to COLA Effective Dates:</u>		
School Division (Teachers) and Political Subdivision Employees (Continued):		
• The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. • Political Subdivision Employees: The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).		

COUNTY OF ORANGE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
Disability Coverage Political subdivision employees: Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	Disability Coverage Political subdivision employees: Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service regardless of when it was earned, purchased or granted. Virginia Sickness and Disability Program (VSDP) members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	Disability Coverage Employees of political subdivisions and school divisions (teachers), including Plan 1 and Plan 2 opt-ins, participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	Purchase of Prior Service Same as Plan 1.	Purchase of Prior Service <u>Defined Benefit Component</u> Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one year period, the rate for most categories of service will change to actuarial cost. <u>Defined Contribution Component</u> Not applicable.

COUNTY OF ORANGE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Pension Plan (Continued)

A. Plan Description (Continued)

County (Agent Plan)

Employees Covered by Benefit Terms

As of the June 30, 2015 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	110
Inactive members:	
Vested inactive members	42
Non-vested inactive members	71
Inactive members active elsewhere in VRS	92
Total inactive members	205
Active members	197
Total covered employees	512

Contributions

The contribution requirement for active employees is governed by Section 51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00 percent of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00 percent member contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5.00 percent member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00 percent member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The County's contractually required contribution rate for the year ended June 30, 2017 was 9.39 percent of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by an employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$965,549 and \$1,095,456 for the years ended June 30, 2017 and 2016, respectively.

COUNTY OF ORANGE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Pension Plan (Continued)

A. Plan Description (Continued)

School Board Non-Professional (Agent Plan)

Employees Covered by Benefit Terms

As of the June 30, 2015 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	82
Inactive members:	
Vested	24
Non-vested	50
Active elsewhere in VRS	28
Total inactive members	102
Active members	160
Total covered employees	344

Contributions

The contribution requirement for active employees is governed by Section 51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00 percent of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00 percent member contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5.00 percent member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00 percent member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The School Board non-professional's contractually required contribution rate for the year ended June 30, 2017 was 4.43 percent of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by an employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School Board for the non-professional plan were \$128,092 and \$203,974 for the years ended June 30, 2017 and 2016, respectively.

COUNTY OF ORANGE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Pension Plan (Continued)

A. Plan Description (Continued)

School Board Professional (Cost-Sharing Plan)

Contributions

The contribution requirement for active employees is governed by Section 51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00 percent of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00 percent member contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5.00 percent member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00 percent member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The School Board Professional's contractually required contribution rate for the year ended June 30, 2017 was 14.66 percent of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 16.32 percent. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance the costs of any unfunded accrued liability. Based on the provision of Section 51.1-145 of the *Code of Virginia*, as amended, the contributions were funded at 89.84 percent of the actuarial rate for the year ended June 30, 2017. Contributions to the pension plan from the School Board for the professional plan were \$3,795,004 and \$3,659,568 for the years ended June 30, 2017 and 2016, respectively.

B. Net Pension Liability

The County and the School Board's non-professional plan net pension liability (asset) were measured as of June 30, 2016. The total pension liabilities used to calculate the net pension liability (asset) were determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

At June 30, 2017, the School Board reported a liability for the professional plan of \$47,840,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School Board's proportion of the net pension liability was based on the School Board's actuarially determined employer contributions to the pension plan for the year ended June 30, 2016 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2016, the School Board's proportion was 0.34137 percent as compared to 0.34548 percent at June 30, 2015.

COUNTY OF ORANGE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Pension Plan (Continued)

B. Net Pension Liability (Continued)

Actuarial Assumptions – General Employees

The total pension liability for General Employee's in the County's retirement plan and the total pension liability for the General Employees in the School Board non-professional retirement plan were based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal Actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

Inflation	2.5 %
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06 percent of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0 percent. However, since the difference was minimal, and a more conservative 7.0 percent investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0 percent to simplify preparation of pension benefits.

Mortality Rates:	14% of deaths are assumed to be service related.
– Pre-retirement:	RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years.
– Post-retirement:	RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.
– Post-disablement:	RP-2000 Disabled Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

COUNTY OF ORANGE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Pension Plan (Continued)

B. Net Pension Liability (Continued)

Actuarial Assumptions – Public Safety Employees

The total pension liability for Public Safety employees in the County and the School Board's retirement plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date as of June 30, 2016.

Inflation	2.5 %
Salary increases, including inflation	3.5% - 4.75%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06 percent of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0 percent. However, since the difference was minimal, and a more conservative 7.0 percent investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0 percent to simplify preparation of pension liabilities.

Mortality Rates:	60% of deaths are assumed to be service related.
– Pre-retirement:	RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years.
– Post-retirement:	RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.
– Post-disablement:	RP-2000 Disabled Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Decrease in male and female rates of disability

COUNTY OF ORANGE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Pension Plan (Continued)

B. Net Pension Liability (Continued)

Actuarial Assumptions – School Board Professional Plan

The total pension liability for the VRS Teacher retirement plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date as of June 30, 2016.

Inflation	2.5 %
Salary increases, including inflation	3.5% - 5.95%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06 percent of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0 percent. However, since the difference was minimal, and a more conservative 7.0 percent investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0 percent to simplify preparation of pension liabilities.

Mortality Rates:

Pre-retirement:	RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 3 years and females were set back 5 years.
Post-retirement:	RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 2 years and females were set back 3 years.
Post-disablement:	RP-2000 Disabled Life Mortality Table projected to 2020 with males set back 1 year and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Adjustments to rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability
- Reduce rates of salary increase by 0.25% per year

COUNTY OF ORANGE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Pension Plan (Continued)

B. Net Pension Liability (Continued)

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2016, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	Teacher Employee Retirement Plan
Total pension liability	\$ 44,182,326
Plan fiduciary net position	<u>30,168,211</u>
Employers' net pension liability	<u>\$ 14,014,115</u>

Plan fiduciary net position as a percentage of the total pension liability	68.63%
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The total pension liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net position liability is disclosed in accordance with the requirements of GASB Statement No. 67 in the System's notes to the financial statements and required supplementary information.

COUNTY OF ORANGE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Pension Plan (Continued)

B. Net Pension Liability (Continued)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
U.S. Equity	19.50%	6.46%	1.26%
Developed Non-U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non-Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
	Inflation		2.50%
	* Expected arithmetic nominal return		8.33%

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33 percent but also has a high standard deviation, which means there is high volatility. Over larger time horizons, the volatility declines significantly and provides a median return of 7.44 percent, including expected inflation of 2.50 percent.

COUNTY OF ORANGE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Pension Plan (Continued)

B. Net Pension Liability (Continued)

Discount Rate

The discount rate used to measure the total pension liabilities was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the County and the School Board's retirement plans will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100 percent of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liabilities.

C. Changes in the Net Pension Liability

County

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2015	\$ 31,449,421	\$ 28,550,974	\$ 2,898,447
Changes for the year:			
Service cost	1,194,996	-	1,194,996
Interest	2,153,120	-	2,153,120
Difference between expected and actual experience	(47,995)	-	(47,995)
Contributions – employer	-	1,095,456	(1,095,456)
Contributions – employee	-	484,814	(484,814)
Net investment income	-	511,485	(511,485)
Benefit payments, including refunds of employee contributions	(1,381,134)	(1,381,134)	-
Administrative expense	-	(17,413)	17,413
Other changes	-	(214)	214
Net changes	1,918,987	692,994	1,225,993
Balances at June 30, 2016	\$ 33,368,408	\$ 29,243,968	\$ 4,124,440

COUNTY OF ORANGE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Pension Plan (Continued)

C. Changes in the Net Pension Liability (Continued)

School Board Non-Professional

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at June 30, 2015	\$ 8,889,594	\$ 9,080,257	\$ (190,663)
Changes for the year:			
Service cost	297,799	-	297,799
Interest	605,627	-	605,627
Difference between expected and actual experience	(172,117)	-	(172,117)
Contributions – employer	-	203,974	(203,974)
Contributions – employee	-	150,267	(150,267)
Net investment income	-	157,666	(157,666)
Benefit payments, including refunds of employee contributions	(475,557)	(475,557)	-
Administrative expense	-	(5,655)	5,655
Other changes	-	(67)	67
Net changes	255,752	30,628	225,124
Balances at June 30, 2016	\$ 9,145,346	\$ 9,110,885	\$ 34,461

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

The following presents the net pension liabilities of the County, the School Board non-professional plan and the School Board professional plan, using the discount rate of 7.00 percent, as well as what the County, the School Board non-professional plan and the School Board professional plan's net pension liabilities would be if they were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
County net pension liability	\$ 8,750,431	\$ 4,124,440	\$ 315,189
School Board's non-professional net pension liability (asset)	1,081,459	34,461	(845,728)
School Board professional net pension liability	68,196,000	47,840,000	31,072,000

COUNTY OF ORANGE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Pension Plan (Continued)

C. Changes in the Net Pension Liability (Continued)

Detailed information about the pension plans' fiduciary net position are available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR) A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

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

County

For the year ended June 30, 2017, the County recognized pension expense of \$558,216. The County also reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (531,465)
Net difference between projected and actual earnings on pension plan investments	765,065	-
Employer contributions subsequent to the measurement date	965,549	-
Total	\$ 1,730,614	\$ (531,465)

The \$965,549 reported as deferred outflows of resources related to pensions resulting from the County's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018.

Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2018	\$ (317,792)
2019	(169,363)
2020	422,067
2021	298,688
	\$ 233,600

COUNTY OF ORANGE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Pension Plan (Continued)

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

School Board Non-Professional

For the year ended June 30, 2017, School Board recognized pension expense related to its non-professional plan of \$107,953. The School Board also reported deferred outflows of resources and deferred inflows of resources related to its non-professional plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 29,736	\$ (116,053)
Net difference between projected and actual earnings on pension plan investments	236,485	-
Employer contributions subsequent to the measurement date	128,092	-
Total	\$ 394,313	\$ (116,053)

The \$128,092 reported as deferred outflows of resources related to pensions resulting from the School Board non-professional plan's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions for the School Board non-professional plan will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2018	\$ (23,811)
2019	(53,545)
2020	132,822
2021	94,702
	\$ 150,168

COUNTY OF ORANGE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Pension Plan (Continued)

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

School Board Professional

For the year ended June 30, 2017, the School Board recognized pension expense related to the professional plan of \$4,176,000. Since there was a change in proportionate share between June 30, 2015 and June 30, 2016, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2017 the School Board reported deferred outflows of resources and deferred inflows of resources related to pensions for the professional plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and difference between employer contributions and proportionate share of contributions	\$ 994,000	\$ (714,000)
Differences between expected and actual experience	-	(1,550,000)
Net difference between projected and actual earnings on pension plan investments	2,733,000	-
Employer contributions subsequent to the measurement date	3,795,004	-
Total	\$ 7,522,004	\$ (2,264,000)

The \$3,795,004 reported as deferred outflows of resources related to pensions resulting from the School Board contributions for the professional plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2017	\$ (258,000)
2018	(258,000)
2019	1,321,000
2020	806,000
2021	(148,000)
	\$ 1,463,000

COUNTY OF ORANGE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 13. Other Postemployment Benefits, County and School Board

A. Plan Description

The County and the School Board provide post-retirement health care insurance benefits for employees who are eligible for retirement benefits through a single-employer defined benefit retiree health insurance plan. For the County, 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. For the School Board, 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 County and School Board establish employer contribution rates for plan participants as part of the budgetary process each year. The County and School Board also determine how the plan will be funded each year, whether the plan will be partially or fully fund. For participating retirees, the retiree pays the full blended premium of the medical program.

C. Annual OPEB Cost and Net OPEB Obligation

The County and the School Board's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (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 30 years. The following table shows the components of the County and School Board's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County and School Board's net OPEB obligations:

	County	School Board	Totals
Annual required contribution (ARC)	\$ 89,000	\$ 271,800	\$ 360,800
Interest on net OPEB obligation	39,584	95,302	134,886
Adjustment to ARC	(41,821)	(100,685)	(142,506)
Annual OPEB cost	86,763	266,417	353,180
Contributions made	(11,600)	(137,100)	(148,700)
Increase in net OPEB obligation	75,163	129,317	204,480
Net OPEB obligation, beginning of year	1,130,984	2,722,910	3,853,894
Net OPEB obligation, end of year	\$ 1,206,147	\$ 2,852,227	\$ 4,058,374

COUNTY OF ORANGE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 13. Other Postemployment Benefits, County and School Board (Continued)

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

Trend Information

Three-year trend information is as follows:

County:

Fiscal Year Ended	Annual OPEB Costs	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2017	\$ 86,763	13%	\$ 1,206,147
June 30, 2016	147,511	15%	1,130,984
June 30, 2015	139,854	12%	1,006,173

School Board:

Fiscal Year Ended	Annual OPEB Costs	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2017	\$ 266,417	51%	\$ 2,852,227
June 30, 2016	373,511	47%	2,722,910
June 30, 2015	357,553	37%	2,523,599

COUNTY OF ORANGE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 13. Other Postemployment Benefits, County and School Board (Continued)

D. Funding Status and Funding Progress

As of July 1, 2016, the most recent roll-forwarded actuarial valuation date, the plans were not funded. The actuarial value of assets was \$-0-, resulting in UAAL of \$752,300 for the County and a UAAL of \$2,612,300 for the School Board's plan.

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 are compared with past expectations and new estimates are made for the future. The schedules of funding progress, presented as Required Supplementary Information following the notes to the financial statements, present trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The following table shows the funding status for the County and the School Board:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
<u>Primary Government - Employees:</u>						
July 1, 2016	\$ -	\$ 752,300	\$ 752,300	0%	\$ 9,532,600	7.89%
July 1, 2014	-	1,093,000	1,093,000	0%	9,300,200	11.75%
July 1, 2012	-	857,200	857,200	0%	8,504,200	10.08%
<u>Component Unit - School Board - Employees:</u>						
July 1, 2016	\$ -	\$ 2,612,300	\$ 2,612,300	0%	\$ 26,377,500	9.90%
July 1, 2014	-	3,520,600	3,520,600	0%	26,881,100	13.10%
July 1, 2012	-	3,105,100	3,105,100	0%	25,143,100	12.35%

E. Actuarial Methods and Assumptions

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 at 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.

COUNTY OF ORANGE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 13. Other Postemployment Benefits, County and School Board (Continued)

E. Actuarial Methods and Assumptions (Continued)

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 3.50 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 7.0 percent initially, graded to 4.50 percent over 75 years. A payroll growth rate of 3.0 percent is used in the assumptions. 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, 2016 was 30 years.

Note 14. Landfill Closure and Post-Closure Care Cost

Permit 90 – Closed Landfill

The County closed its former landfill in 2013. State and federal laws and regulations require the County to place a final cover and to perform certain maintenance and monitoring functions at the site for 30 years after closure. The cumulative amount of estimated post-closure care and corrective action costs for this site, less costs paid to date, totals \$1,701,000. Actual costs may be higher due to inflation, changes in technology, changes in regulations, or other unforeseen circumstances. The County intends to fund these costs from funds accumulated for this purpose in the Landfill Fund as well as transfers from the General Fund.

Permit 566 – Open Landfill

The County owns and operates a landfill site from which it collects tipping fees based upon the source of the waste. The landfill began accepting waste in January 2013. State and federal laws will require the County to place a final cover on this site when it stops accepting waste and to perform maintenance and monitoring functions for 30 years after closure. Although closure and post-closure care costs are paid only near or after the date the landfill stops accepting waste, the County will report a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used. The \$831,000 reported as landfill closure and post-closure liability as of June 30, 2017 represents the cumulative amount reported to date based on estimated use of approximately 39 percent of the estimated capacity of Cell #1, as well as anticipated future cells for closure costs, and use of approximately 4.2 percent of the estimated capacity of the entire landfill site for post-closure costs. The remaining estimated cost of closure and post-closure care of \$3,945,122 will be recognized as remaining capacity is filled. Actual future costs may be higher due to inflation, changes in technology, changes in regulations, or other unforeseen circumstances.

COUNTY OF ORANGE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 15. Commitments and Contingencies

Litigation

The County and School Board are potential defendants in litigation involving claims for damages of various types. Officials estimate that any ultimate liability not covered by insurance will have an immaterial effect on the financial statements.

Federal Grants

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

Commitments

The County, School Board and Broadband Authority have entered into various construction contracts. Future amounts due under these agreements are approximately \$1,475,000, \$2,613,000 and \$32,000 for the County, School Board and Broadband Authority, respectively, at year end.

During 2015, the County and EDA entered into a performance agreement with a company for the purpose of incentivizing the company to relocate and consolidate its business operations to the County. As part of the agreement, the County and EDA have received grant funds from the Commonwealth of Virginia for assistance with the relocation and capital expansion. Based on the terms of the agreement, if minimum eligibility requirements are not met by the company, the County may be required to return a portion of such funds, which amounted to \$540,000. The portion of the grant that could potentially be returned will depend on whether the company meets at least 90 percent of its investment target for both capital and new jobs. If this percentage is met, no funds will be required to be returned. The County will also be obligated to disburse amounts to the EDA in the amount of \$100,000 in three equal installments. The final monetary obligation the County has will be to pay amounts to the EDA reflecting a portion of real estate and personal property taxes paid by the company up to \$350,000. These funds will then be disbursed to the company. Finally, the County has agreed to waive all local permit fees related to the anticipated building improvements. The deadline for the performance date of the agreement is June 30, 2018.

Leases

The County and School Board have numerous operating leases for facilities and equipment. However, total future minimum lease commitments are considered insignificant.

COUNTY OF ORANGE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 16. Risk Management

The County and the School Board are 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 and School Board are members of the Virginia Association of Counties Group Self Insurance Association (Association) for workers' compensation, property and liability coverage. Each Association member jointly and severally agrees to assume, pay, and discharge any liability. Association contributions and assessments are 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 and School Board carry 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.

The County and School Board are partially self-insured for health and dental insurance coverage for their respective employees, and account for the uninsured risks of loss within the Insurance Internal Service Fund. From the Insurance Internal Service Fund, the County pays up to the annual stop loss limit of \$150,000 per person and purchase commercial insurance for claims in excess of such limits. The County makes payments to a claims service provider based on estimates of the amounts needed to pay prior-year and current-year claims in addition to the premiums for the stop loss coverage. Excess amounts accumulated are reserved for the possibility of future catastrophic losses.

Changes in the claims liability amount are shown below:

Fiscal Year Ended	Beginning Liability	Current Year Claims	Claim Payments	Ending Liability
June 30, 2017	\$ 505,667	\$ 6,770,954	\$ 6,758,479	\$ 518,142
June 30, 2016	454,016	6,386,331	6,334,680	505,667
June 30, 2015	492,184	7,237,144	7,275,312	454,016

COUNTY OF ORANGE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 17. Fund Balances

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

	General	Virginia Public Assistance	Debt Service	County Capital Projects	Other	Total
Nonspendable:						
Prepays	\$ 15,000	\$ -	\$ -	\$ -	\$ -	\$ 15,000
Total nonspendable	15,000	-	-	-	-	15,000
Restricted for:						
Capital projects	-	-	-	27,106,855	-	27,106,855
Total restricted	-	-	-	27,106,855	-	27,106,855
Committed to:						
Community development	-	-	-	-	-	-
Judicial administration	-	-	-	-	28,358	28,358
Public safety	-	-	-	-	24,708	24,708
Public assistance	-	131,538	-	-	-	131,538
Capital projects	-	-	-	677,350	-	677,350
Total committed	-	131,538	-	677,350	53,066	861,954
Assigned to:						
Subsequent year appropriation	693,653	-	-	591,677	-	1,285,330
Child care reserve	41,267	-	-	-	-	41,267
Destroyed livestock	9,364	-	-	-	-	9,364
Reassessment reserve	162,317	-	-	-	-	162,317
Debt service	-	-	1,094,182	-	-	1,094,182
Capital projects	-	-	-	3,777,619	-	3,777,619
Total assigned	906,601	-	1,094,182	4,369,296	-	6,370,079
Unassigned	19,383,577	-	-	-	-	19,383,577
Total fund balance	\$20,305,178	\$ 131,538	\$ 1,094,182	\$ 32,153,501	\$ 53,066	\$53,737,465

COUNTY OF ORANGE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 18. Tax Abatements and Commonwealth's Opportunity Fund

Pursuant to the provisions of Title 15.2, Chapter 9, Section 15.2-953 of the *Code of Virginia*, localities are permitted to make appropriations of money to industrial development authorities for the purposes of promoting economic development. Furthermore, Title 2.2, Chapter 1, Section 2.2-115 of the *Code of Virginia*, has created the Commonwealth's Development Opportunity Fund (the Fund) to be used by the Governor to attract economic development prospects and secure the expansion of existing industry in the Commonwealth. Amounts awarded from the Fund are categorized as grants or loans. The criteria for making such grants or loans shall include: (1) job creation, (2) private capital investment, and (3) anticipated additional state tax revenue expected to accrue to the state and affected localities as a result of the capital investment and jobs created.

The County currently has three companies that meet the criteria to receive this grant. The County has entered into agreements with each of these companies to act as a pass-through for the Fund's grant. Once the County has received the funds it will transfer the amount to the Economic Development Authority, who subsequently delivers the funds to the business. Grants are to be used for public or private construction projects which improve infrastructure.

For the fiscal year ended June 30, 2017, the County abated property taxes totaling \$934,000 under this incentive program, including the following tax abatement agreements:

- Property tax abatement to an apparel printing and distribution facility in the amount of \$500,000.
- Property tax abatement to an adhesive manufacturing facility in the amount of \$85,000.
- Property tax abatement to an aerospace facility in the amount of \$300,000.
- Property tax abatement to a wood manufacturing facility in the amount of \$5,000.
- Property tax abatement to a metal fabrication facility in the amount of \$30,000.
- Property tax abatement to an automotive parts facility in the amount of \$14,000.

Note 19. Pending GASB Statements

At June 30, 2017, the Governmental Accounting Standards Board (GASB) had issued statements not yet implemented by the County. The statements which might impact the County are as follows:

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, will improve accounting and financial reporting by state and local governments for OPEB. It will also require the recognition of the entire OPEB liability and a comprehensive measure of OPEB expense. Statement No. 75 will be effective for fiscal years beginning after June 15, 2017.

GASB Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (ARO's). This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for ARO's. Statement No. 83 will be effective for fiscal years beginning after June 15, 2018.

GASB Statement No. 84, *Fiduciary Activities*, will improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Statement No. 84 will be effective for fiscal years beginning after December 15, 2018.

COUNTY OF ORANGE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 19. Pending GASB Statements (Continued)

GASB Statement No. 85, *Omnibus 2017*, will enhance consistency in the application of accounting and financial reporting requirements. Consistent reporting will improve the usefulness of information for users of state and local government financial statements. Statement No. 85 will be effective for fiscal years beginning after June 15, 2017.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, will improve accounting and financial reporting for debt extinguishments by establishing uniform guidance for derecognizing debt that is defeased in substance. Statement No. 86 will be effective for fiscal years beginning after June 15, 2017.

GASB Statement No. 87, *Leases*, will increase the usefulness of the County's financial statements by requiring reporting of certain lease assets and liabilities and deferred inflows of resources for leases that previously were classified as operating leases. Statement No. 87 will be effective for fiscal years beginning after December 15, 2019.

Management has not determined the effects of these new Statements may have on prospective financial statements.

Note 20. Subsequent Events

Subsequent to year end, the Orange County School Board finalized a lease agreement in the amount of \$1,147,747 to finance the purchase of a new phone system for a five-year term with an interest rate of 4.974%.

When the GO Virginia Plan was released in late 2017, a recommended site improvement action item noted that the Authority should gain control of Lot 10 in the Thomas E. Lee Industrial Park, to establish control and price. The site was owned by 84 Lumber and was marketed for several years, for sale. In October 2017, staff discovered the site was being auctioned and reported to the Authority. The Authority voted to authorize staff to bid on the 84 Lumber site auction, up to a maximum bid of \$40,000 less than the 2016 assessed value (\$420,300) of the property. The auction was bid on and the Authority was awarded the auction at a selling price of \$350,000 plus \$40,000 transaction fee for a total price of \$390,000 and is expected to close in December 2017.

REQUIRED SUPPLEMENTARY INFORMATION

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 11

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE – BUDGET AND ACTUAL – GENERAL FUND
Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final	Amounts	
Revenues:				
General property taxes	\$ 40,119,568	\$ 40,279,568	\$ 40,875,523	\$ 595,955
Other local taxes	5,796,895	6,134,598	6,511,988	377,390
Permits, privilege fees and regulatory licenses	349,838	349,838	439,084	89,246
Fines and forfeitures	162,900	162,900	223,539	60,639
Use of money and property	122,395	122,395	199,644	77,249
Charges for services	1,947,609	1,999,036	1,987,345	(11,691)
Miscellaneous	382,210	509,949	465,258	(44,691)
Recovered costs	1,539,744	1,153,366	1,082,720	(70,646)
Intergovernmental:				
Commonwealth	7,987,014	8,668,774	8,495,394	(173,380)
Federal	13,550	40,353	95,482	55,129
Total revenues	58,421,723	59,420,777	60,375,977	955,200
Expenditures:				
Current:				
General government administration	3,286,165	3,444,180	2,921,052	(523,128)
Judicial administration	1,707,093	1,745,378	1,690,432	(54,946)
Public safety	11,426,224	11,834,928	11,441,091	(393,837)
Public works	918,007	984,382	824,904	(159,478)
Health and welfare	3,002,637	4,381,317	4,104,084	(277,233)
Education	21,853,416	23,442,922	22,581,523	(861,399)
Parks, recreation and cultural	1,267,157	1,326,175	1,248,154	(78,021)
Community development	1,267,876	1,358,751	1,116,467	(242,284)
Nondepartmental	554,156	156,572	102,214	(54,358)
Total expenditures	45,282,731	48,674,605	46,029,921	(2,644,684)
Excess of revenues over expenditures	13,138,992	10,746,172	14,346,056	3,599,884
Other financing sources (uses):				
Transfers in	1,631	23,579	23,238	(341)
Transfers out	(13,454,623)	(17,232,548)	(17,094,951)	137,597
Total other financing uses, net	(13,452,992)	(17,208,969)	(17,071,713)	137,256
Net change in fund balance	(314,000)	(6,462,797)	(2,725,657)	3,737,140
Fund balance, beginning	314,000	6,462,797	23,030,835	16,568,038
Fund balance, ending	\$ -	\$ -	\$ 20,305,178	\$ 20,305,178

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 12

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE – BUDGET AND ACTUAL – VIRGINIA PUBLIC ASSISTANCE FUND
Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Over (Under)
Revenues:				
Miscellaneous	\$ -	\$ -	\$ 200	\$ 200
Intergovernmental:				
Commonwealth	1,121,473	1,130,676	964,403	(166,273)
Federal	1,264,692	1,278,452	1,565,265	286,813
Total revenues	2,386,165	2,409,128	2,529,868	120,740
Expenditures:				
Current:				
Health and welfare	3,224,122	3,288,557	3,234,603	(53,954)
Total expenditures	3,224,122	3,288,557	3,234,603	(53,954)
Deficiency of revenues under expenditures	(837,957)	(879,429)	(704,735)	174,694
Other financing sources:				
Transfers in	837,957	837,957	704,735	(133,222)
Total other financing sources	837,957	837,957	704,735	(133,222)
Net change in fund balance	-	(41,472)	-	41,472
Fund balance, beginning	-	41,472	131,538	90,066
Fund balance, ending	\$ -	\$ -	\$ 131,538	\$ 131,538

SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
Primary Government						
July 1, 2012	\$ -	\$ 857,200	\$ 857,200	0.00%	\$ 8,504,200	10.08%
July 1, 2014	-	1,093,000	1,093,000	0.00%	9,300,200	11.75%
July 1, 2016	-	752,300	752,300	0.00%	9,532,600	7.89%
School Board						
July 1, 2012	\$ -	\$ 3,105,100	\$ 3,105,100	0.00%	\$ 25,143,100	12.35%
July 1, 2014	-	3,520,600	3,520,600	0.00%	26,881,100	13.10%
July 1, 2016	-	2,612,300	2,612,300	0.00%	26,377,500	9.90%

SCHEDULE OF EMPLOYER CONTRIBUTIONS – OTHER POSTEMPLOYMENT BENEFITS

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
Primary Government		
2015	\$ 141,600	11.86%
2016	149,500	15.18%
2017	89,000	13.03%
School Board		
2015	\$ 362,100	36.92%
2016	378,500	46.02%
2017	271,800	50.44%

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 14

**SCHEDULE OF CHANGES IN THE COUNTY NET PENSION LIABILITY
AND RELATED RATIOS – VIRGINIA RETIREMENT SYSTEM**

	Fiscal Year June 30,		
	2014	2015	2016
Total pension liability:			
Service cost	\$ 1,148,245	\$ 1,191,381	\$ 1,194,996
Interest	1,972,952	2,101,059	2,153,120
Differences between expected and actual experience	-	(1,142,256)	(47,995)
Benefit payments, including refunds of employee contributions	(1,150,418)	(1,431,783)	(1,381,134)
Net change in total pension liability	1,970,779	718,401	1,918,987
Total pension liability - beginning	28,760,241	30,731,020	31,449,421
Total pension liability - ending (a)	<u>\$ 30,731,020</u>	<u>\$ 31,449,421</u>	<u>\$ 33,368,408</u>
Plan fiduciary net position:			
Contributions - employer	\$ 1,106,261	\$ 1,034,535	\$ 1,095,456
Contributions - employee	458,769	455,835	484,814
Net investment income	3,692,589	1,254,114	511,485
Benefit payments, including refunds of employee contributions	(1,150,418)	(1,431,783)	(1,381,134)
Administrative expense	(19,343)	(16,855)	(17,413)
Other	195	(265)	(214)
Net change in plan fiduciary net position	4,088,053	1,295,581	692,994
Plan fiduciary net position - beginning	23,167,340	27,255,393	28,550,974
Plan fiduciary net position - ending (b)	<u>\$ 27,255,393</u>	<u>\$ 28,550,974</u>	<u>\$ 29,243,968</u>
County's net pension liability - ending (a) - (b)	<u>\$ 3,475,627</u>	<u>\$ 2,898,447</u>	<u>\$ 4,124,440</u>
Plan fiduciary net position as a percentage of the total pension liability	88.69%	90.78%	87.64%
Covered-employee payroll	\$ 9,244,838	\$ 9,114,846	\$ 9,651,595
County's net pension liability as a percentage of covered-employee payroll	37.60%	31.80%	42.73%

Note to Schedule:

- (1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the County will present information for those years which information is available.

**SCHEDULE OF CHANGES IN THE SCHOOL BOARD NON-PROFESSIONAL
NET PENSION LIABILITY (ASSET) AND RELATED RATIOS –
VIRGINIA RETIREMENT SYSTEM**

	Fiscal Year June 30,		
	2014	2015	2016
Total pension liability:			
Service cost	\$ 321,928	\$ 310,760	\$ 297,799
Interest	540,454	569,842	605,627
Differences between expected and actual experience	-	97,318	(172,117)
Benefit payments, including refunds of employee contributions	(427,241)	(457,861)	(475,557)
Net change in total pension liability	435,141	520,059	255,752
Total pension liability - beginning	7,934,394	8,369,535	8,889,594
Total pension liability - ending (a)	<u>\$ 8,369,535</u>	<u>\$ 8,889,594</u>	<u>\$ 9,145,346</u>
Plan fiduciary net position:			
Contributions - employer	\$ 234,379	\$ 202,149	\$ 203,974
Contributions - employee	143,849	148,042	150,267
Net investment income	1,204,254	401,260	157,666
Benefit payments, including refunds of employee contributions	(427,241)	(457,861)	(475,557)
Administrative expense	(6,473)	(5,524)	(5,655)
Other	63	(87)	(67)
Net change in plan fiduciary net position	1,148,831	287,979	30,628
Plan fiduciary net position - beginning	7,643,447	8,792,278	9,080,257
Plan fiduciary net position - ending (b)	<u>\$ 8,792,278</u>	<u>\$ 9,080,257</u>	<u>\$ 9,110,885</u>
School Board non-professional net pension liability (asset) - ending (a)-(b)	<u>\$ (422,743)</u>	<u>\$ (190,663)</u>	<u>\$ 34,461</u>
Plan fiduciary net position as a percentage of the total pension liability	105.05%	102.14%	99.62%
Employer's covered-employee payroll	\$ 3,016,799	\$ 2,972,779	\$ 2,999,618
School Board's non-professional net pension liability (asset) as a percentage of covered-employee payroll	14.01%	6.41%	1.15%

Note to Schedule:

- (1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the School Board will present information for those years which information is available.

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 16

**SCHEDULE OF SCHOOL BOARD SHARE OF NET PENSION LIABILITY
VRS TEACHER RETIREMENT PLAN (COST-SHARING) –
VIRGINIA RETIREMENT SYSTEM**

	Fiscal Year June 30,		
	2014	2015	2016
Employer's proportion of the net pension liability	0.33419%	0.34548%	0.34137%
Employer's proportionate share of the net pension liability	\$ 40,386,000	\$ 43,483,000	\$ 47,840,000
Employer's covered-employee payroll	\$ 24,437,220	\$ 25,600,000	\$ 25,238,400
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	165.26%	169.86%	189.55%
Plan fiduciary net position as a percentage of the total pension liability	70.88%	70.68%	68.28%

Note to Schedule:

- (1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the School Board will present information for those years which information is available.

COUNTY OF ORANGE, VIRGINIA**EXHIBIT 17****SCHEDULE OF CONTRIBUTIONS –
VIRGINIA RETIREMENT SYSTEM**

	Fiscal Year June 30,			
	2014	2015	2016	2017
Contractually required contribution (CRC)	\$ 1,049,288	\$ 1,034,535	\$ 1,095,456	\$ 965,549
Contributions in relation to the CRC	1,049,288	1,034,535	1,095,456	965,549
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Employer's covered-employee payroll	\$ 9,244,838	\$ 9,114,846	\$ 9,651,595	\$ 10,282,737
Contributions as a percentage of covered-employee payroll	11.35%	11.35%	11.35%	9.39%

Note to Schedule:

- (1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the County will present information for those years for which information is available.

COUNTY OF ORANGE, VIRGINIA**EXHIBIT 18****SCHEDULE OF SCHOOL BOARD NON-PROFESSIONAL CONTRIBUTIONS –
VIRGINIA RETIREMENT SYSTEM**

	Fiscal Year June 30,			
	2014	2015	2016	2017
Contractually required contribution (CRC)	\$ 205,264	\$ 202,149	\$ 203,974	\$ 128,092
Contributions in relation to the CRC	205,264	202,149	203,974	128,092
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Employer's covered-employee payroll	\$ 3,016,799	\$ 2,972,779	\$ 2,999,618	\$ 2,891,467
Contributions as a percentage of covered-employee payroll	6.80%	6.80%	6.80%	4.43%

Note to Schedule:

- (1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the School Board will present information for those years for which information is available.

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 19

**SCHEDULE OF SCHOOL BOARD PROFESSIONAL CONTRIBUTIONS –
VIRGINIA RETIREMENT SYSTEM**

	Fiscal Year June 30,			
	2014	2015	2016	2017
Contractually required contribution (CRC)	\$ 3,723,620	\$ 3,712,000	\$ 3,659,568	\$ 3,795,004
Contributions in relation to the CRC	3,723,620	3,712,000	3,659,568	3,795,004
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Employers covered-employee payroll	\$ 25,670,299	\$ 25,600,000	\$ 25,238,400	\$25,886,794
Contributions as a percentage of covered-employee payroll	14.51%	14.50%	14.50%	14.66%

Note to Schedule:

- (1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the School Board will present information for those years for which information is available.

COUNTY OF ORANGE, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION VIRGINIA RETIREMENT SYSTEM Year Ended June 30, 2017

Note 1. Changes of Benefit Terms

There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2016 are not material.

Note 2. Changes of Assumptions

The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ended June 30, 2012:

County and School Board Non-Professional:

Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

School Board Professional:

- Update mortality table
- Adjustments to rates of service retirement
- Decrease in rate of withdrawals for 3 through 9 years of service
- Decrease in rates of disability
- Reduce rates of salary increase by 0.25% per year

Note 3. Contractually Required Contributions

The actuarially determined contribution rates are calculated as of June 30, one year prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

County and School Board Non-Professional:

Non-LEOS:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	19-28 years
Asset valuation method	5-year smoothed marked
Cost-of-living adjustments	2.25%-2.50%
Projected salary increases	3.50%-5.35%, including inflation at 2.50%
Investment rate of return	7.0%, including inflation at 2.50%

COUNTY OF ORANGE, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION VIRGINIA RETIREMENT SYSTEM Year Ended June 30, 2017

Note 3. Contractually Required Contributions (Continued)

County and School Board Non-Professional:

LEOS:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	19-28 years
Asset valuation method	5-year smoothed marked
Cost-of-living adjustments	2.25%-2.50%
Projected salary increases	3.50%-4.75%, including inflation at 2.50%
Investment rate of return	7.0%, including inflation at 2.50%

School Board Professional:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	19-28 years
Asset valuation method	5-year smoothed marked
Cost-of-living adjustments	2.25%-2.50%
Projected salary increases	3.50%-5.95%, including inflation at 2.50%
Investment rate of return	7.0%, including inflation at 2.50%

SUPPLEMENTARY INFORMATION

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 20

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2017

	Asset Forfeiture	Law Library	Totals
ASSETS			
Cash and cash equivalents	\$ 50,103	\$ 29,542	\$ 79,645
Total assets	\$ 50,103	\$ 29,542	\$ 79,645
LIABILITIES			
Accounts payable	\$ 25,395	\$ 1,184	\$ 26,579
Total liabilities	25,395	1,184	26,579
FUND BALANCES			
Committed	24,708	28,358	53,066
Total fund balances	24,708	28,358	53,066
Total liabilities and fund balances	\$ 50,103	\$ 29,542	\$ 79,645

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 21

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
Year Ended June 30, 2017**

	Asset Forfeiture	Law Library	Totals
Revenues:			
Use of money and property	\$ 151	\$ -	\$ 151
Charges for services	-	6,163	6,163
Miscellaneous	326	-	326
Intergovernmental:			
Commonwealth	836	-	836
Total revenues	1,313	6,163	7,476
Expenditures:			
Current:			
Judicial administration	-	9,671	9,671
Public safety	4,450	-	4,450
Total expenditures	4,450	9,671	14,121
Deficiency of revenues under expenditures	(3,137)	(3,508)	(6,645)
Other financing uses:			
Transfers out	-	(1,290)	(1,290)
Total other financing uses	-	(1,290)	(1,290)
Net change in fund balances	(3,137)	(4,798)	(7,935)
Fund balance, beginning	27,845	33,156	61,001
Fund balance, ending	\$ 24,708	\$ 28,358	\$ 53,066

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 22

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS
Year Ended June 30, 2017**

	Asset Forfeiture Fund				Law Library Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final			Original	Final		
Revenues:								
Use of money and property	\$ -	\$ -	\$ 151	\$ 151	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	6,000	6,000	6,163	163
Miscellaneous	-	327	326	(1)	-	-	-	-
Intergovernmental:								
Commonwealth	-	306	836	530	-	-	-	-
Total revenues	-	633	1,313	680	6,000	6,000	6,163	163
Expenditures:								
Current:								
Judicial administration	-	-	-	-	13,900	13,900	9,671	(4,229)
Public safety	-	28,373	4,450	(23,923)	-	-	-	-
Total expenditures	-	28,373	4,450	(23,923)	13,900	13,900	9,671	(4,229)
Deficiency of revenues under expenditures	-	(27,740)	(3,137)	24,603	(7,900)	(7,900)	(3,508)	4,392
Other financing uses:								
Transfers out	-	-	-	-	(1,631)	(1,631)	(1,290)	341
Total other financing uses	-	-	-	-	(1,631)	(1,631)	(1,290)	341
Net change in fund balances	\$ -	\$ (27,740)	\$ (3,137)	\$ 24,603	\$ (9,531)	\$ (9,531)	\$ (4,798)	\$ 4,733

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 23

COMBINING STATEMENT OF NET POSITION
AGENCY FUNDS
June 30, 2017

	Special Welfare	Rapidan Hills Limited Partnership	Commonwealth	Bond Escrow Agency	Parks and Recreation Foundation	Totals
ASSETS						
Cash and cash equivalents	\$ 43,802	\$ 7,837	\$ 79,651	\$ 548,785	\$ 1,982	\$ 682,057
Total assets	\$ 43,802	\$ 7,837	\$ 79,651	\$ 548,785	\$ 1,982	\$ 682,057
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ 2,112	\$ 4,000	\$ -	\$ 6,112
Amounts held for others	43,802	7,837	77,539	544,785	1,982	675,945
Total liabilities	\$ 43,802	\$ 7,837	\$ 79,651	\$ 548,785	\$ 1,982	\$ 682,057

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 24

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Page 1

AGENCY FUNDS

Year Ended June 30, 2017

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
<u>SPECIAL WELFARE</u>				
ASSETS				
Cash and cash equivalents	\$ 49,368	\$ 68,788	\$ 74,354	\$ 43,802
Total assets	\$ 49,368	\$ 68,788	\$ 74,354	\$ 43,802
LIABILITIES				
Amounts held for others	\$ 49,368	\$ 68,788	\$ 74,354	\$ 43,802
Total liabilities	\$ 49,368	\$ 68,788	\$ 74,354	\$ 43,802
<u>RAPIDAN HILLS LIMITED PARTNERSHIP</u>				
ASSETS				
Cash and cash equivalents	\$ 7,830	\$ 7	\$ -	\$ 7,837
Total assets	\$ 7,830	\$ 7	\$ -	\$ 7,837
LIABILITIES				
Amounts held for others	\$ 7,830	\$ 7	\$ -	\$ 7,837
Total liabilities	\$ 7,830	\$ 7	\$ -	\$ 7,837
<u>COMMONWEALTH</u>				
ASSETS				
Cash and cash equivalents	\$ 60,191	\$ 1,473,703	\$ 1,454,243	\$ 79,651
Total assets	\$ 60,191	\$ 1,473,703	\$ 1,454,243	\$ 79,651
LIABILITIES				
Accounts payable	\$ 1,539	\$ 2,112	\$ 1,539	\$ 2,112
Amounts held for others	58,652	1,454,253	1,435,366	77,539
Total liabilities	\$ 60,191	\$ 1,456,365	\$ 1,436,905	\$ 79,651

COUNTY OF ORANGE, VIRGINIA

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 Year Ended June 30, 2017

EXHIBIT 24
 Page 2

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
<u>BOND ESCROW AGENCY</u>				
ASSETS				
Cash and cash equivalents	\$ 466,023	\$ 262,556	\$ 179,794	\$ 548,785
Total assets	\$ 466,023	\$ 262,556	\$ 179,794	\$ 548,785
LIABILITIES				
Accounts payable	\$ 1,500	\$ 4,000	\$ 1,500	\$ 4,000
Amounts held for others	464,523	262,556	182,294	544,785
Total liabilities	\$ 466,023	\$ 266,556	\$ 183,794	\$ 548,785
<u>PARKS AND RECREATION FOUNDATION</u>				
ASSETS				
Cash and cash equivalents	\$ 1,982	\$ -	\$ -	\$ 1,982
Total assets	\$ 1,982	\$ -	\$ -	\$ 1,982
LIABILITIES				
Amounts held for others	\$ 1,982	\$ -	\$ -	\$ 1,982
Total liabilities	\$ 1,982	\$ -	\$ -	\$ 1,982
<u>TOTALS - ALL AGENCY FUNDS</u>				
ASSETS				
Cash and cash equivalents	\$ 585,394	\$ 1,805,054	\$ 1,708,391	\$ 682,057
Total assets	\$ 585,394	\$ 1,805,054	\$ 1,708,391	\$ 682,057
LIABILITIES				
Accounts payable	\$ 3,039	\$ 6,112	\$ 3,039	\$ 6,112
Amounts held for others	582,355	1,785,604	1,692,014	675,945
Total liabilities	\$ 585,394	\$ 1,791,716	\$ 1,695,053	\$ 682,057

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD

Major Governmental Funds

School Operating Fund – This 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 County.

School Textbook Adoptions Fund – This 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 – This fund is a special revenue fund that accounts for transactions related to the regional adult education program the County oversees.

School Capital Projects Fund – This fund is a capital projects fund used to account for financial resources to be used for the acquisition or construction of capital assets for Orange County Public Schools.

Nonmajor Governmental Funds

School Cafeteria Fund – This 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 Childcare Fund – This fund is a special revenue fund that accounts for the County's Employee Childcare program. Financing is provided from Tuition daycare fees.

Head Start Fund – This fund is a special revenue fund that accounts for the operations of the County's Head Start program. Financing is provided by the Federal government and through in-kind contributions and a required local match.

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 25

COMBINING BALANCE SHEET

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD

June 30, 2017

	School Operating Fund	School Textbook Adoptions Fund	Adult Education Fund	School Capital Projects Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 2,460,306	\$ 1,152,352	\$ 1,251	\$ 2,650,957	\$ 336,019	\$ 6,600,885
Investments	556,972	245,247	-	-	-	802,219
Accounts receivable, net	42,667	-	16,012	-	5,478	64,157
Due from other funds	157,959	-	-	-	-	157,959
Due from other governments	1,794,527	-	43,313	-	330,023	2,167,863
Total assets	\$ 5,012,431	\$ 1,397,599	\$ 60,576	\$ 2,650,957	\$ 671,520	\$ 9,793,083
LIABILITIES						
Due to other funds	\$ -	\$ -	\$ 41,392	\$ -	\$ 116,567	\$ 157,959
Accounts payable	970,982	-	10,040	38,055	69,768	1,088,845
Accrued liabilities	4,041,449	-	17,307	-	176,964	4,235,720
Total liabilities	5,012,431	-	68,739	38,055	363,299	5,482,524
FUND BALANCES						
Assigned	-	1,397,599	-	2,612,902	308,221	4,318,722
Unassigned	-	-	(8,163)	-	-	(8,163)
Total fund balances (deficit)	-	1,397,599	(8,163)	2,612,902	308,221	4,310,559
Total liabilities and fund balances	\$ 5,012,431	\$ 1,397,599	\$ 60,576	\$ 2,650,957	\$ 671,520	\$ 9,793,083

Total fund balances \$ 4,310,559

Amounts reported for governmental activities in the Statement of Net Position are different because:

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

Governmental capital assets	\$ 121,251,410	
Less accumulated depreciation	(65,707,169)	
Net capital assets		55,544,241

Deferred outflows of resources - pension plan represents a consumption of net position that applies to a future period and are not recognized as deferred outflows of resources in the governmental funds.

7,916,317

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

Capital leases	(6,553,975)	
Compensated absences	(1,363,520)	
Accrued interest payable	(58,384)	
Other postemployment benefits	(2,852,227)	
Net pension liability	(47,874,461)	(58,702,567)

Deferred inflows of resources - pension plan represents an acquisition of net position that applies to a future period and are not recognized as deferred inflows of resources in the governmental funds.

(2,380,053)

Net position of governmental activities **\$ 6,688,497**

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 26

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD Year Ended June 30, 2017

	School Operating Fund	School Textbook Adoptions Fund	Adult Education Fund	School Capital Projects Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
Use of money and property	\$ -	\$ -	\$ -	\$ -	\$ 646	\$ 646
Charges for services	19,374	-	35,937	-	1,073,944	1,129,255
Miscellaneous	858,156	-	-	-	-	858,156
Appropriation from primary government	20,990,130	-	-	1,608,038	-	22,598,168
Intergovernmental:						
Commonwealth	26,806,859	-	149,926	-	36,364	26,993,149
Federal	2,498,991	-	128,564	-	3,279,168	5,906,723
Total revenues	51,173,510	-	314,427	1,608,038	4,390,122	57,486,097
Expenditures:						
Current:						
Education	50,087,644	192,895	328,409	-	4,209,088	54,818,036
Capital outlay	-	-	-	747,904	-	747,904
Debt service:						
Principal	593,178	-	-	-	-	593,178
Interest	181,415	-	-	-	-	181,415
Total expenditures	50,862,237	192,895	328,409	747,904	4,209,088	56,340,533
Excess (deficiency) of revenues over (under) expenditures	311,273	(192,895)	(13,982)	860,134	181,034	1,145,564
Other financing sources (uses):						
Transfers in	-	524,941	8,919	487,700	-	1,021,560
Transfers out	(1,021,560)	-	-	-	-	(1,021,560)
Total other financing sources (uses), net	(1,021,560)	524,941	8,919	487,700	-	-
Net change in fund balances	(710,287)	332,046	(5,063)	1,347,834	181,034	1,145,564
Fund balances (deficit), beginning	710,287	1,065,553	(3,100)	1,265,068	127,187	3,164,995
Fund balances (deficit), ending	\$ -	\$ 1,397,599	\$ (8,163)	\$ 2,612,902	\$ 308,221	\$ 4,310,559
Net change in fund balances						\$ 1,145,564
Reconciliation of amounts reported for governmental activities in the Statement of Activities:						
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 and amortization expense. This is the amount by which depreciation and amortization was more than capital outlays in the current period.						
Expenditure for capital assets					\$ 2,318,244	
Less depreciation and amortization expense					(3,699,876)	
Excess of depreciation and amortization over capital outlays						(1,381,632)
Net transfer of joint tenancy capital assets from Primary Government to the Component Unit						3,647,344
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) is to decrease net position.						(109,688)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.						
Principal repayments:						
Capital lease						593,178
Deferred outflows of resources - pension plan contributions subsequent to measurement date						50,783
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.						
Accrued interest					21,058	
Compensated absences					(659,848)	
Other postemployment benefits					(129,317)	
Pension expense					(451,979)	
Change in net position of governmental activities						(1,220,086)
						\$ 2,725,463

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 27

Page 1

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – GOVERNMENTAL FUNDS
DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
Year Ended June 30, 2017**

	School Operating Fund				School Textbook Adoptions Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final			Original	Final		
Revenues:								
Charges for services	\$ 37,800	\$ 37,800	\$ 19,374	\$ (18,426)	\$ -	\$ -	\$ -	\$ -
Miscellaneous	769,747	1,480,035	858,156	(621,879)	-	-	-	-
Appropriation from primary government	21,155,416	21,851,529	20,990,130	(861,399)	-	-	-	-
Intergovernmental:								
Commonwealth	26,935,587	26,935,587	26,806,859	(128,728)	-	-	-	-
Federal	2,414,317	2,414,317	2,498,991	84,674	-	-	-	-
Total revenues	51,312,867	52,719,268	51,173,510	(1,545,758)	-	-	-	-
Expenditures:								
Current:								
Education	50,820,443	50,738,779	50,087,644	(651,135)	525,846	525,846	192,895	(332,951)
Debt service:								
Principal	-	1,000,365	593,178	(407,187)	-	-	-	-
Interest	-	-	181,415	181,415	-	-	-	-
Total expenditures	50,820,443	51,739,144	50,862,237	(876,907)	525,846	525,846	192,895	(332,951)
Excess (deficiency) of revenues over (under) expenditures	492,424	980,124	311,273	(668,851)	(525,846)	(525,846)	(192,895)	332,951
Other financing sources (uses):								
Transfers in	-	-	-	-	525,846	525,846	524,941	(905)
Transfers out	(492,424)	(980,124)	(1,021,560)	(41,436)	-	-	-	-
Total other financing sources (uses), net	(492,424)	(980,124)	(1,021,560)	(41,436)	525,846	525,846	524,941	(905)
Net change in fund balances	\$ -	\$ -	\$ (710,287)	\$ (710,287)	\$ -	\$ -	\$ 332,046	\$ 332,046

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 27
Page 2

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – GOVERNMENTAL FUNDS
DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
Year Ended June 30, 2017**

	Adult Education Fund			Variance with Final Budget Over (Under)
	Budgeted Amounts		Actual	
	Original	Final		
Revenues:				
Charges for services	\$ 35,224	\$ 35,224	\$ 35,937	\$ 713
Miscellaneous	-	-	-	-
Appropriation from primary government	-	-	-	-
Intergovernmental:				
Commonwealth	137,315	137,315	149,926	12,611
Federal	207,016	207,016	128,564	(78,452)
Total revenues	379,555	379,555	314,427	(65,128)
Expenditures:				
Current:				
Education	389,243	389,243	328,409	(60,834)
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	389,243	389,243	328,409	(60,834)
Excess (deficiency) of revenues over (under) expenditures	(9,688)	(9,688)	(13,982)	(4,294)
Other financing sources (uses):				
Transfers in	9,688	9,688	8,919	(769)
Transfers out	-	-	-	-
Total other financing sources (uses), net	9,688	9,688	8,919	(769)
Net change in fund balances	\$ -	\$ -	\$ (5,063)	\$ (5,063)

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 28

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
June 30, 2017**

	School Cafeteria Fund	Employee Childcare Fund	Head Start Fund	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 275,269	\$ 60,750	\$ -	\$ 336,019
Accounts receivable, net	3,309	-	2,169	5,478
Due from other governmental units	41,588	-	288,435	330,023
Total assets	\$ 320,166	\$ 60,750	\$ 290,604	\$ 671,520
LIABILITIES				
Due to other funds	\$ -	\$ -	\$ 116,567	\$ 116,567
Accounts payable	11,386	-	58,382	69,768
Accrued liabilities	90,678	6,881	79,405	176,964
Total liabilities	102,064	6,881	254,354	363,299
FUND BALANCES				
Assigned	218,102	53,869	36,250	308,221
Total fund balances	218,102	53,869	36,250	308,221
Total liabilities and fund balances	\$ 320,166	\$ 60,750	\$ 290,604	\$ 671,520

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 29

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – NONMAJOR SPECIAL REVENUE FUNDS
DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
Year Ended June 30, 2017**

	School Cafeteria Fund	Employee Childcare Fund	Head Start Fund	Total Nonmajor Governmental Funds
Revenues:				
Use of money and property	\$ 646	\$ -	\$ -	\$ 646
Charges for services	746,509	327,435	-	1,073,944
Intergovernmental:				
Commonwealth	36,364	-	-	36,364
Federal	1,383,467	-	1,895,701	3,279,168
Total revenues	2,166,986	327,435	1,895,701	4,390,122
Expenditures:				
Current:				
Education	2,035,451	314,186	1,859,451	4,209,088
Total expenditures	2,035,451	314,186	1,859,451	4,209,088
Excess of revenues over expenditures	131,535	13,249	36,250	181,034
Net change in fund balances	131,535	13,249	36,250	181,034
Fund balances, beginning	86,567	40,620	-	127,187
Fund balances, ending	\$ 218,102	\$ 53,869	\$ 36,250	\$ 308,221

**DISCRETELY PRESENTED COMPONENT UNIT –
ECONOMIC DEVELOPMENT AUTHORITY**

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 30

BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT –
ECONOMIC DEVELOPMENT AUTHORITY
June 30, 2017

ASSETS	
Cash and cash equivalents	\$ 1,095,168
Total assets	\$ 1,095,168
LIABILITIES	
Accounts payable	\$ 2,418
Total liabilities	2,418
FUND BALANCE	
Assigned	1,092,750
Total fund balance	1,092,750
Total liabilities and fund balance	\$ 1,095,168
 Fund balance	 \$ 1,092,750
 Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	643,671
Net position of governmental activities	\$ 1,736,421

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 31

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCE – DISCRETELY PRESENTED COMPONENT UNIT –
ECONOMIC DEVELOPMENT AUTHORITY
Year Ended June 30, 2017**

Revenues:	
Revenue from the use of money	\$ 7,176
Charges for services	11,375
Other	16,145
Appropriation from primary government	<u>156,055</u>
Total revenues	<u>190,751</u>
Expenditures:	
Current:	
Community development	<u>213,929</u>
Total expenditures	<u>213,929</u>
Net change in fund balance	(23,178)
Fund balance, beginning	<u>1,115,928</u>
Fund balance, ending	<u><u>\$ 1,092,750</u></u>
Net change in fund balance	\$ (23,178)
Reconciliation of amounts reported for governmental activities in the Statement of Activities:	
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 and amortization expense. This is the amount by which capital outlays exceeded the depreciation and amortization in the current period.	29,808
The net effect of transactions involving capital assets (i.e. disposals, donations, and transfers) is to increase net position	<u>37,327</u>
Change in net position of governmental activities	<u><u>\$ 43,957</u></u>

**DISCRETELY PRESENTED COMPONENT UNIT –
BROADBAND AUTHORITY**

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 32

STATEMENT OF NET POSITION

DISCRETELY PRESENTED COMPONENT UNIT – BROADBAND AUTHORITY

June 30, 2017

ASSETS	
Current assets:	
Cash and cash equivalents	\$ 154,922
Total current assets	<u>154,922</u>
Noncurrent assets:	
Capital assets:	
Construction in progress	15,297
Total capital assets	<u>15,297</u>
Total noncurrent assets	<u>15,297</u>
Total assets	<u>170,219</u>
NET POSITION	
Net investment in capital assets	15,297
Unrestricted	<u>154,922</u>
Total net position	<u>\$ 170,219</u>

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 33

**STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
DISCRETELY PRESENTED COMPONENT UNIT – BROADBAND AUTHORITY
Year Ended June 30, 2017**

Operating revenues:	
Appropriation from primary government	<u>\$ 170,270</u>
Total operating revenues	<u>170,270</u>
Operating expenses:	
Other charges	<u>51</u>
Total operating expenses	<u>51</u>
Change in net position	170,219
Net position, beginning	<u>-</u>
Net position, ending	<u><u>\$ 170,219</u></u>

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 34

STATEMENT OF CASH FLOWS

DISCRETELY PRESENTED COMPONENT UNIT – BROADBAND AUTHORITY

Year Ended June 30, 2017

Cash flows from operating activities:	
Payments to suppliers for goods and services	\$ (51)
Appropriation from primary government	<u>170,270</u>
Net cash provided operating activities	<u>170,219</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	<u>(15,297)</u>
Net cash used in capital and related financing activities	<u>(15,297)</u>
Net change in cash and cash equivalents	154,922
Cash and cash equivalents:	
Beginning	<u>-</u>
Ending	<u><u>\$ 154,922</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 170,219</u>
Net cash provided by operating activities	<u><u>\$ 170,219</u></u>

STATISTICAL SECTION

COUNTY OF ORANGE, VIRGINIA

STATISTICAL SECTION TABLE OF CONTENTS

The statistical section of the County's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information presented in the financial statements, note disclosures and required supplementary information say about the County's overall financial health. This information has not been audited by the independent auditor.

Contents	Tables
Financial Trends These tables contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.	1-4
Revenue Capacity 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.	5-8
Debt Capacity 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.	9-10
Demographic and Economic Information 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.	11-12
Operating Information This table contains 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.	13

Sources: Unless otherwise noted, the information in these tables is derived from the Comprehensive Annual Financial Reports for the relevant year.

COUNTY OF ORANGE, VIRGINIA

TABLE 1

NET POSITION BY COMPONENT

Last Ten Fiscal Years

(accrual basis of accounting)

(Unaudited)

	Fiscal Year June 30,									
	2017	2016	2015 ⁽¹⁾	2014	2013	2012	2011	2010	2009	2008
Governmental activities:										
Net investment in capital assets	\$ (23,720,203)	\$ 3,005,800	\$ 3,496,972	\$ 2,016,519	\$ 1,237,313	\$ 2,422,835	\$ 11,254,062	\$ 6,973,273	\$ 5,816,416	\$ 6,899,872
Restricted	27,106,855	534,309	155,000	155,000	155,000	-	-	-	-	-
Unrestricted	23,551,304	23,018,630	21,071,507	21,542,237	19,545,539	20,175,732	19,290,317	19,826,534	21,206,936	22,349,138
Total governmental activities net position	26,937,956	26,558,739	24,723,479	23,713,756	20,937,852	22,598,567	30,544,379	26,799,807	27,023,352	29,249,010
Business-type activities:										
Net investment in capital assets	13,314,101	13,779,641	14,347,875	14,827,910	15,240,183	12,913,544	11,649,754	9,873,370	9,337,495	8,274,862
Unrestricted	1,152,693	710,862	475,783	350,025	616,845	2,018,586	2,666,307	2,342,618	1,355,176	828,666
Total business-type activities net position	14,466,794	14,490,503	14,823,658	15,177,935	15,857,028	14,932,130	14,316,061	12,215,988	10,692,671	9,103,528
Primary government:										
Net investment in capital assets	(10,406,102)	16,785,441	17,844,847	16,844,429	16,477,496	15,336,379	22,903,816	16,846,643	15,153,911	15,174,734
Restricted	27,106,855	534,309	155,000	155,000	155,000	-	-	-	-	-
Unrestricted	24,703,997	23,729,492	21,547,290	21,892,262	20,162,384	22,194,318	21,956,624	22,169,152	22,562,112	23,177,804
Total primary government net position	\$ 41,404,750	\$ 41,049,242	\$ 39,547,137	\$ 38,891,691	\$ 36,794,880	\$ 37,530,697	\$ 44,860,440	\$ 39,015,795	\$ 37,716,023	\$ 38,352,538

Note:

⁽¹⁾ GASB Statement No. 68 was adopted in fiscal year 2015.

COUNTY OF ORANGE, VIRGINIA

CHANGES IN NET POSITION

Last Ten Fiscal Years

(accrual basis of accounting)

(Unaudited)

TABLE 2

Page 1

	Fiscal Year June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Primary government:										
Expenses:										
Governmental activities:										
General government	\$ 4,364,352	\$ 3,697,143	\$ 3,593,666	\$ 3,179,303	\$ 3,251,588	\$ 3,147,031	\$ 3,568,522	\$ 4,859,717	\$ 5,107,926	\$ 3,387,068
Judicial administration	1,718,583	1,650,036	1,614,274	1,550,961	1,555,502	1,591,338	1,496,249	1,320,372	1,471,735	1,377,117
Public safety	12,337,219	11,957,728	11,256,292	10,514,385	10,415,818	9,801,548	9,755,361	10,017,491	9,951,868	8,715,289
Public works	1,103,311	878,661	862,112	842,455	920,361	790,439	642,287	679,892	800,019	616,698
Health and welfare	7,489,593	6,060,296	5,910,475	5,661,805	5,677,690	5,981,549	6,471,864	5,235,344	4,579,632	4,490,368
Education	26,245,512	26,187,147	24,906,681	24,173,025	24,769,534	28,150,265	19,494,387	19,675,748	20,716,819	20,282,099
Parks, recreation, and cultural	1,301,536	1,285,193	1,280,110	1,232,679	1,217,282	1,255,820	1,074,565	1,645,909	1,766,622	2,646,279
Community development	1,200,104	1,432,001	931,565	1,506,917	1,025,612	1,027,386	1,013,298	1,506,794	1,542,893	1,737,481
Interest	3,045,826	3,139,207	3,444,343	3,655,244	3,928,975	4,124,114	4,388,109	3,749,091	2,629,414	2,690,659
Total governmental activities expense	58,806,036	56,287,412	53,799,518	52,316,774	52,762,362	55,869,490	47,904,642	48,690,358	48,566,928	45,943,058
Business-type activities:										
Airport	764,063	777,557	872,700	983,900	916,700	898,525	840,425	733,545	548,514	568,900
Landfill	2,533,327	2,410,358	2,827,009	2,848,400	2,276,549	2,111,304	3,347,359	2,246,931	2,616,278	3,161,506
Total business-type activities expense	3,297,390	3,187,915	3,699,709	3,832,300	3,193,249	3,009,829	4,187,784	2,980,476	3,164,792	3,730,406
Total primary government expense	62,103,426	59,475,327	57,499,227	56,149,074	55,955,611	58,879,319	52,092,426	51,670,834	51,731,720	49,673,464
Program revenue:										
Governmental activities:										
Charges for services:										
General government	1,074,534	918,897	1,011,672	1,093,314	1,055,846	1,100,931	1,771,477	-	-	-
Judicial administration	126,036	349,355	239,503	364,960	291,311	219,673	340,045	68,202	31,787	87,693
Public safety	1,853,647	1,580,451	627,575	1,504,002	1,326,899	1,606,510	1,317,980	1,512,408	1,267,967	960,636
Public works	12,469	-	-	-	-	-	-	-	166,136	292,287
Health and welfare	401,912	27,950	2,455	2,523	-	-	-	-	-	-
Education	-	346,051	7,030	222,483	170,955	185,123	271,022	-	-	-
Parks, recreation, and cultural	111,628	122,294	1,451,794	121,074	156,424	154,866	134,921	432,304	522,889	1,012,648
Community development	50,548	344,197	-	-	-	-	-	505	-	-
Operating grants and contributions	6,848,749	6,500,636	5,953,895	5,760,431	5,198,455	5,836,506	7,393,931	6,034,820	5,791,917	5,568,166
Capital grants and contributions	122,036	88,320	-	540,000	-	-	47,546	625,490	661,450	878,745
Total governmental activities program revenue	10,601,559	10,278,151	9,293,924	9,608,787	8,199,890	9,103,609	11,276,922	8,673,729	8,442,146	8,800,175
Business-type activities:										
Charges for services:										
Airport	276,484	306,299	379,093	429,389	422,685	470,543	417,480	307,756	223,071	285,453
Landfill	502,233	386,607	286,516	326,146	286,168	333,339	309,195	255,400	317,267	531,189
Operating grants and contributions	75,300	9,207	16,995	9,115	24,513	9,296	11,568	538,546	965,798	1,766,434
Capital grants and contributions	-	30,865	298,068	553,624	475,995	605,634	1,144,325	-	-	-
Total business-type activities program revenue	854,017	732,978	980,672	1,318,274	1,209,361	1,418,812	1,882,568	1,101,702	1,506,136	2,583,076
Total primary government program revenue	11,455,576	11,011,129	10,274,596	10,927,061	9,409,251	10,522,421	13,159,490	9,775,431	9,948,282	11,383,251

COUNTY OF ORANGE, VIRGINIA

CHANGES IN NET POSITION

Last Ten Fiscal Years

(accrual basis of accounting)

(Unaudited)

TABLE 2

Page 2

Primary government:

Net expense:

Governmental activities	\$ (48,204,477)	\$ (46,009,261)	\$ (44,505,594)	\$ (42,707,987)	\$ (44,562,472)	\$ (46,765,881)	\$ (36,627,720)	\$ (40,016,629)	\$ (40,124,782)	\$ (37,142,883)
Business-type activities	(2,443,373)	(2,454,937)	(2,719,037)	(2,514,026)	(1,983,888)	(1,591,017)	(2,305,216)	(1,878,774)	(1,658,656)	(1,147,330)
Total primary government net expense	(50,647,850)	(48,464,198)	(47,224,631)	(45,222,013)	(46,546,360)	(48,356,898)	(38,932,936)	(41,895,403)	(41,783,438)	(38,290,213)

General revenues and other changes

in net position:

Governmental activities:

Taxes										
Property taxes	40,829,686	39,853,041	39,884,990	37,715,684	35,876,658	33,228,086	32,155,490	31,599,974	30,690,664	28,715,860
Local sales and use	3,304,851	2,795,044	2,621,812	2,249,569	1,980,974	1,867,506	1,740,887	1,679,256	1,825,239	2,065,302
Consumers' utility taxes	591,472	573,344	1,982,022	2,004,316	2,035,551	2,024,767	2,086,617	2,050,682	2,091,128	2,174,844
Consumption taxes	96,060	94,162	100,354	99,172	96,389	89,117	101,613	90,711	91,249	88,810
Motor vehicle license taxes	1,093,406	1,002,943	951,035	960,387	914,527	662,916	652,932	677,609	662,465	626,497
Taxes on recordation and wills	549,880	450,282	446,202	434,981	460,522	379,057	381,132	455,274	471,439	699,013
Restaurant food taxes	759,517	769,294	742,794	713,125	646,602	631,748	577,864	510,629	514,019	540,904
Other local taxes	211,802	204,363	159,310	137,535	207,100	143,343	152,660	115,720	83,338	93,386
Use of money and property	352,115	203,645	120,969	133,126	192,056	234,352	354,819	1,974,347	1,006,373	2,091,066
Miscellaneous	483,069	558,478	223,249	349,951	304,803	294,343	491,702	580,009	690,938	676,056
Grants and contributions not	4,249,440	4,265,161	2,871,718	2,878,322	3,038,845	2,948,932	2,945,313	2,978,545	2,974,228	3,024,981
Special items	(1,540,000)	-	-	-	-	-	-	-	-	-
Transfers	(2,397,604)	(2,114,011)	(2,479,579)	(2,034,892)	(2,852,270)	(2,145,373)	(3,890,516)	(3,295,789)	(3,201,956)	(2,485,976)
Total governmental activities	48,583,694	48,655,746	47,624,876	45,641,276	42,901,757	40,358,794	37,750,513	39,416,967	37,899,124	38,310,743
Business-type activities:										
Use of money and property	-	-	-	-	-	-	-	-	40,775	33,880
Miscellaneous	22,060	7,771	57,553	40,902	56,516	61,713	48,104	106,302	5,068	-
Transfers	2,397,604	2,114,011	2,479,579	2,034,892	2,852,270	2,145,373	3,890,516	3,295,789	3,201,956	2,485,976
Total business-type activities	2,419,664	2,121,782	2,537,132	2,075,794	2,908,786	2,207,086	3,938,620	3,402,091	3,247,799	2,519,856
Total primary government	51,003,358	50,777,528	50,162,008	47,717,070	45,810,543	42,565,880	41,689,133	42,819,058	41,146,923	40,830,599

Changes in net position:

Governmental activities	379,217	2,646,485	3,119,282	2,933,289	(1,660,715)	(6,407,087)	1,122,793	(599,662)	(2,225,658)	1,167,860
Business-type activities	(23,709)	(333,155)	(181,905)	(438,232)	924,898	616,069	1,633,404	1,523,317	1,589,143	1,372,526
Total primary government	\$ 355,508	\$ 2,313,330	\$ 2,937,377	\$ 2,495,057	\$ (735,817)	\$ (5,791,018)	\$ 2,756,197	\$ 923,655	\$ (636,515)	\$ 2,540,386

COUNTY OF ORANGE, VIRGINIA

TABLE 3

FUND BALANCES – GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(accrual basis of accounting)

(Unaudited)

	Fiscal Year June 30,							
	2017	2016	2015	2014	2013	2012	2011	
General Fund:								
Nonspendable	\$ 15,000	\$ 15,000	\$ -	\$ -	\$ -	\$ -	\$ -	
Restricted	-	379,309	-	-	-	-	-	
Committed	-	71,125	71,125	71,125	71,125	144,000	-	
Assigned	906,601	412,102	1,548,826	3,096	82,564	1,743,994	2,488,194	
Unassigned	19,383,577	22,153,299	20,658,342	19,919,081	18,297,201	17,583,447	17,101,685	
Total general fund	\$ 20,305,178	\$ 23,030,835	\$ 22,278,293	\$ 19,993,302	\$ 18,450,890	\$ 19,471,441	\$ 19,589,879	
All other governmental funds:								
Restricted	\$ 27,106,855	\$ 155,000	\$ 155,000	\$ 448,020	\$ 714,249	\$ -	\$ 2,387,117	
Committed	861,954	602,287	206,317	187,444	252,351	289,624	211,209	
Assigned	5,463,478	2,787,947	2,170,681	2,032,623	1,963,019	1,747,670	2,383,275	
Unassigned	-	-	-	-	-	-	(107,010)	
Total all other governmental funds	\$ 33,432,287	\$ 3,545,234	\$ 2,531,998	\$ 2,668,087	\$ 2,929,619	\$ 2,037,294	\$ 4,874,591	

	Fiscal Year June 30,		
	2010	2009	2008
General Fund:			
Unreserved	\$ 17,204,546	\$ 17,204,546	\$ 15,756,672
Total general fund	\$ 17,204,546	\$ 17,204,546	\$ 15,756,672
All other governmental funds:			
Reserved	\$ 10,052,344	\$ 34,667,985	\$ 1,371,161
Unreserved, reported in:			
Special revenue fund	487,893	400,645	238,715
Debt services fund	489,312	1,209,197	-
Capital projects fund	2,810,885	3,699,353	21,400,988
Total all other governmental funds	\$ 13,840,434	\$ 39,977,180	\$ 23,010,864

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

COUNTY OF ORANGE, VIRGINIA

TABLE 4

CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(accrual basis of accounting)

(Unaudited)

	Fiscal Year June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues:										
General property taxes	\$ 40,875,523	\$ 40,315,480	\$ 39,724,465	\$ 37,312,103	\$ 35,560,361	\$ 33,241,812	\$ 32,506,482	\$ 31,547,517	\$ 30,505,130	\$ 28,258,629
Other local taxes	6,511,988	5,889,432	7,003,529	6,599,085	6,341,665	5,798,454	5,693,705	5,579,881	5,738,877	6,288,756
Permits, privilege fees, and regulatory licenses	439,084	359,171	307,295	321,965	354,996	304,007	225,857	171,857	178,415	306,181
Fines and forfeitures	223,539	219,125	32,820	96,143	17,964	337	50,182	38,798	260	407
Use of money and property	352,115	203,645	120,969	133,126	192,056	234,352	354,819	1,974,347	1,006,373	2,089,726
Charges for services	1,993,508	1,991,804	2,007,624	1,834,792	1,703,656	1,626,213	1,787,930	1,802,764	1,810,104	2,046,676
Miscellaneous	485,784	557,947	223,249	349,951	304,803	294,343	491,702	580,009	720,399	676,056
Recovered costs	1,082,720	1,602,324	1,596,671	1,658,315	1,595,849	1,620,931	2,266,476	214,018	163,170	171,527
Intergovernmental:										
Commonwealth	9,559,478	9,343,625	7,583,464	7,986,858	7,100,892	7,751,463	8,988,937	7,669,016	7,288,382	7,004,007
Federal	1,660,747	1,510,492	1,242,149	1,191,895	981,408	1,033,975	1,397,853	1,969,839	2,139,213	2,469,225
Total revenues	63,184,486	61,993,045	59,842,235	57,484,233	54,153,650	51,905,887	53,763,943	51,548,046	49,550,323	49,311,190
Expenditures:										
General government	2,921,052	2,944,001	2,774,183	2,793,382	2,937,819	2,721,480	2,717,558	2,967,297	3,334,401	2,936,254
Judicial administration	1,700,103	1,744,265	1,590,975	1,542,439	1,479,337	1,487,657	1,402,807	1,386,268	1,485,689	1,407,439
Public safety	11,445,541	11,227,370	10,875,608	10,482,533	9,787,671	9,307,451	9,241,293	9,156,532	9,046,350	8,476,543
Public works	995,174	813,924	835,473	842,977	854,968	739,907	749,891	695,733	932,482	697,084
Health and welfare	7,338,687	6,303,720	5,889,164	5,693,169	5,278,422	5,581,402	6,066,615	5,247,601	4,550,477	4,482,198
Education	22,598,168	21,512,600	20,086,846	19,201,455	19,617,055	17,777,521	16,357,351	16,863,445	17,726,509	17,148,492
Parks, recreation, and cultural	1,248,154	1,295,954	1,244,476	1,201,478	1,141,213	1,168,824	1,010,633	1,441,339	1,750,969	2,650,633
Community development	1,129,139	1,440,771	915,959	1,507,750	952,071	960,472	947,721	1,453,749	1,541,267	1,681,742
Nondepartmental	102,214	82,990	149,450	74,854	58,853	56,646	79,648	64,989	70,641	1,929
Capital outlay	2,781,039	1,690,138	2,181,597	1,062,318	953,451	3,203,261	7,642,665	25,991,675	17,978,293	12,756,559
Debt service:										
Principal	5,920,047	5,618,697	5,422,510	5,469,436	5,398,954	5,248,884	5,612,231	4,053,986	3,528,930	3,011,120
Interest and fiscal charges	3,999,097	3,438,826	3,754,016	3,990,869	4,233,801	4,462,741	4,738,377	3,994,632	2,849,764	2,574,325
Bond issuance costs	-	-	-	-	-	-	-	-	161,844	636,298
Total expenditures	62,178,415	58,113,256	55,720,257	53,862,660	52,693,615	52,716,246	56,566,790	73,317,246	64,957,616	58,460,616
Excess of revenues over (under) expenditures	1,006,071	3,879,789	4,121,978	3,621,573	1,460,035	(810,359)	(2,802,847)	(21,769,200)	(15,407,293)	(9,149,426)
Other financing sources (uses):										
Transfers in	16,415,157	13,632,337	11,759,177	11,604,410	11,440,832	11,345,608	9,156,316	9,086,109	8,694,491	9,288,064
Transfers out	(18,812,761)	(15,746,348)	(14,227,123)	(13,639,302)	(14,293,103)	(13,490,981)	(13,046,832)	(12,381,898)	(11,896,447)	(11,774,040)
Issuance of bonds	-	-	-	-	-	-	-	-	30,550,000	5,220,000
Premium on bonds issued	-	-	-	-	-	-	-	-	2,847,298	280,267
Issuance of capital leases	514,626	-	494,870	56,207	747,000	-	-	-	-	1,644,968
Refunding of bonds	48,110,000	-	-	-	-	-	-	-	-	31,235,000
Premium on lease revenue refunding bonds issued	4,398,303	-	-	-	-	-	-	-	-	-
Discount on lease revenue and refunding bonds	-	-	-	-	-	-	-	-	-	(724,544)
Payment to bond escrow agent	(24,470,000)	-	-	-	-	-	-	-	-	(10,359,432)
Capital contributions	-	-	-	-	155,000	-	-	-	-	-
Total other financing sources (uses), net	26,155,325	(2,114,011)	(1,973,076)	(1,978,685)	(1,950,271)	(2,145,373)	(3,890,516)	(3,295,789)	30,195,342	24,810,283
Net change in fund balances	\$ 27,161,396	\$ 1,765,778	\$ 2,148,902	\$ 1,642,888	\$ (490,236)	\$ (2,955,732)	\$ (6,693,363)	\$ (25,064,989)	\$ 14,788,049	\$ 15,660,857
Debt service as a percentage of noncapital expenditures	16.29%	15.93%	17.05%	17.92%	18.62%	19.61%	21.16%	17.01%	13.97%	13.81%

COUNTY OF ORANGE, VIRGINIA

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY Last Ten Fiscal Years (Unaudited)

TABLE 5
Page 1

Tax Year	Real Estate ⁽¹⁾						Personal Property							
	Residential	Commercial	Agricultural	Land Use Deferment	Public Service Companies ⁽²⁾	Nominal Tax Rate per \$100	Personal Property ⁽³⁾	Nominal Tax Rate per \$100	Mobile Homes	Nominal Tax Rate per \$100	Machinery and Tools	Nominal Tax Rate per \$100	Merchants' Capital	Nominal Tax Rate per \$100
2017	\$ 2,928,737,200	\$ 268,322,200	\$ 885,052,200	\$ (336,737,200)	\$ 172,586,718	\$ 0.804	\$ 292,472,233	\$ 3.750	\$ 4,586,870	\$ 0.804	\$ 38,343,323	\$ 1.831	\$ 53,393,121	\$ 0.400
2016	2,891,574,450	269,842,800	885,356,900	(335,949,129)	169,705,328	0.804	279,172,792	3.750	4,778,250	0.804	37,843,645	1.831	47,096,280	0.400
2015	2,872,989,900	288,499,900	938,883,900	(405,605,300)	159,283,646	0.804	267,188,483	3.750	4,531,275	0.804	36,472,265	1.831	44,482,505	0.400
2014	2,851,679,600	285,469,200	935,478,300	(392,770,900)	156,469,027	0.804	260,018,870	3.750	4,659,999	0.804	31,425,320	1.831	47,827,072	0.400
2013	2,831,446,900	278,849,200	937,481,400	(395,149,600)	158,528,254	0.720	253,822,185	3.750	4,772,504	0.720	30,302,947	1.831	38,623,768	0.400
2012	2,813,280,900	268,501,700	934,808,400	(399,110,800)	150,901,640	0.720	247,033,473	3.750	4,753,499	0.720	32,438,245	1.831	36,833,317	0.400
2011	4,049,804,500	274,307,300	1,299,776,700	(627,490,300)	146,290,996	0.490	238,198,946	3.270	5,857,655	0.490	46,108,840	1.831	34,275,835	0.400
2010	4,032,854,000	276,234,300	1,303,981,800	(618,427,800)	149,505,359	0.490	233,050,277	3.270	5,888,190	0.490	49,158,875	1.831	34,848,749	0.400
2009	4,012,310,300	276,643,400	1,312,888,700	(605,297,900)	140,776,365	0.470	227,694,111	3.270	6,142,616	0.470	51,910,995	1.831	38,197,251	0.400
2008	3,966,139,800	274,589,900	1,327,183,700	(613,881,300)	134,996,368	0.470	351,899,437	2.200	6,073,710	0.470	62,542,275	1.831	38,635,793	0.400

Notes:

- ⁽¹⁾ Real estate is assessed at 100% of fair market value.
- ⁽²⁾ Assessed values are established by the State Corporation Commission.
- ⁽³⁾ Personal property was assessed at retail value prior to 2009 when the County began assessing at trade-in value.
- ⁽⁴⁾ Property was included in personal property prior to 2009.
- ⁽⁵⁾ Until 2010, RVs were included with boats because they were taxed at the same rate. Campers were included in regular personal property until 2012 when the Board decided RVs and Campers should have the same rate.

Source: Commissioner of Revenue

* Direct rates are derived by calculating a weighted average that multiplies each rate by the proportion of the revenue base to which it applies. (See Table 6)

COUNTY OF ORANGE, VIRGINIA

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY Last Ten Fiscal Years (Unaudited)

TABLE 5
Page 2

Personal Property (Continued)														
Tax Year	Business and Heavy Equipment ⁽⁴⁾	Nominal Tax Rate per \$100	RVs and Campers ⁽⁵⁾	Nominal Tax Rate per \$100	Airplanes	Nominal Tax Rate per \$100	Boats	Nominal Tax Rate per \$100	Logging Equipment	Nominal Tax Rate per \$100	Public Service Companies ⁽²⁾	Nominal Tax Rate per \$100	Total Taxable Assessed Value	Direct* Tax Rate per \$100
2017	\$ 40,433,625	\$ 2.200	\$ 7,386,181	\$ 2.620	\$ 3,042,695	\$ 0.700	\$ 9,500,382	\$ 2.090	\$ 501,085	-	\$ 119,557	\$ 3.750	\$ 4,367,740,190	\$ 1.023
2016	36,712,415	2.200	6,121,182	2.620	2,659,380	0.700	9,731,932	2.090	436,220	-	129,819	3.750	4,305,212,264	1.016
2015	37,401,024	2.200	5,644,432	2.620	3,663,235	0.700	10,791,413	2.090	-	-	136,301	3.750	4,264,362,979	1.011
2014	36,801,282	2.200	5,152,226	2.620	3,689,295	0.700	9,863,242	2.090	-	-	217,962	3.750	4,235,980,495	1.001
2013	32,088,040	2.200	4,577,454	2.620	4,572,520	0.700	9,574,406	2.090	-	-	207,743	3.750	4,189,697,721	0.925
2012	33,761,234	2.200	4,837,245	2.620	3,702,065	0.700	9,833,186	2.090	-	-	233,596	3.750	4,141,807,700	0.924
2011	30,992,750	2.200	2,711,355	2.090	3,764,875	0.700	10,033,275	2.090	-	-	235,409	3.270	5,514,868,136	0.634
2010	32,819,096	2.200	3,220,590	2.090	3,733,820	0.700	8,414,365	2.090	-	-	264,395	3.270	5,515,546,016	0.632
2009	32,970,619	2.200	-	-	3,814,495	0.700	9,737,873	0.700	-	-	238,528	3.270	5,508,027,353	0.609
2008	-	-	-	-	3,711,290	0.550	11,582,732	1.650	-	-	213,094	3.270	5,563,686,799	0.596

Notes:

- ⁽¹⁾ Real estate is assessed at 100% of fair market value.
- ⁽²⁾ Assessed values are established by the State Corporation Commission.
- ⁽³⁾ Personal property was assessed at retail value prior to 2009 when the County began assessing at trade-in value.
- ⁽⁴⁾ Property was included in personal property prior to 2009.
- ⁽⁵⁾ Until 2010, RVs were included with boats because they were taxed at the same rate. Campers were included in regular personal property until 2012 when the Board decided RVs and Campers should have the same rate.

Source: Commissioner of Revenue

* Direct rates are derived by calculating a weighted average that multiplies each rate by the proportion of the revenue base to which it applies. (See Table 6)

COUNTY OF ORANGE, VIRGINIA

TABLE 6

DIRECT AND OVERLAPPING PROPERTY TAX RATES ⁽¹⁾
Last Ten Fiscal Years
(Unaudited)

Direct Rates*										
Tax Year	Real Estate ⁽²⁾	Personal Property ⁽²⁾	Mobile Homes	Machinery and Tools ⁽²⁾	Merchants' Capital	Business Equipment	RVs and Campers	Airplanes	Boats	Total Direct Rate
2017	\$ 0.721	\$ 0.251	\$ 0.001	\$ 0.016	\$ 0.005	\$ 0.020	\$ 0.004	\$ -	\$ 0.005	\$ 1.023
2016	0.725	0.243	0.001	0.016	0.004	0.019	0.004	-	0.005	1.016
2015	0.727	0.235	0.001	0.016	0.004	0.019	0.003	0.001	0.005	1.011
2014	0.728	0.230	0.001	0.014	0.005	0.019	0.003	0.001	0.005	1.001
2013	0.655	0.227	0.001	0.013	0.004	0.017	0.003	0.001	0.005	0.925
2012	0.655	0.224	0.001	0.014	0.004	0.018	0.003	0.001	0.005	0.924
2011	0.457	0.141	0.001	0.015	0.002	0.012	0.001	-	0.004	0.634
2010	0.457	0.138	0.001	0.016	0.003	0.013	0.001	-	0.003	0.632
2009	0.438	0.135	0.001	0.017	0.003	0.013	-	-	0.001	0.609
2008	0.430	0.139	0.001	0.021	0.003	-	-	-	0.003	0.596

Overlapping Rates						
Tax Year	Town of Orange			Town of Gordonsville		
	Real Estate ⁽²⁾	Personal Property ⁽²⁾	Machinery and Tools	Real Estate	Personal Property	Machinery and Tools
2017	\$ 0.175	\$ 0.830	\$ 0.066	\$ 0.100	\$ 0.990	\$ 0.240
2016	0.175	0.830	0.066	0.100	0.990	0.240
2015	0.155	0.830	0.066	0.100	0.990	0.240
2014	0.155	0.830	0.066	0.100	0.990	0.240
2013	0.155	0.830	0.066	0.100	0.990	0.240
2012	0.145	0.830	0.066	0.095	0.990	0.240
2011	0.114	0.830	0.066	0.095	0.990	0.240
2010	0.114	0.830	0.066	0.095	0.990	0.240
2009	0.114	0.600	0.066	0.095	0.990	0.240
2008	0.114	0.600	0.066	0.095	0.800	0.170

Notes:

⁽¹⁾ Per \$100 of assessed value

⁽²⁾ Includes Public Service Companies

* Direct rates are derived by calculating a weighted average that multiplies each rate by the proportion of the revenue base to which it applies.

COUNTY OF ORANGE, VIRGINIA

TABLE 7

PRINCIPAL PROPERTY TAXPAYERS ⁽¹⁾
Current Year and Nine Years Ago
(Unaudited)

Taxpayer	Type of Business	2017			2008		
		Assessed Value ⁽²⁾	Rank	Percentage of Total Taxable Assessed Value	Assessed Value ⁽²⁾	Rank	Percentage of Total Taxable Assessed Value
VanHoven Enterprises, LLC	Horticulture	\$ 51,291,500	1	1.31%	\$ -	-	-
Aerojet General Corp	Manufacturing	18,162,500	2	0.46%	23,100,500	1	0.45%
Holtzbrinck Publishers	Book Distributor	16,729,900	3	0.43%	19,308,900	2	0.38%
Rocklands LLC	Agriculture	10,681,000	4	0.27%	-	-	-
Wal-Mart	Retail	9,802,400	5	0.25%	-	-	-
American Woodmark	Manufacturing	7,093,100	6	0.18%	6,725,400	4	0.13%
P.W. Hiden LLC	Agriculture	6,669,600	7	0.17%	-	-	-
Somerset Plantation Inc.	Agriculture	6,662,600	8	0.17%	-	-	-
Orange Village	Shopping Center	6,175,400	9	0.16%	9,429,300	3	0.19%
McConnell, James H.T. & Mary	Agriculture	6,001,400	10	0.15%	-	-	-
PMC Distribution	Manufacturing	-	-	-	5,887,300	5	0.12%
General Shale	Manufacturing	-	-	-	5,500,100	6	0.11%
Schooler Property of Wilderness	Hotel	-	-	-	4,872,800	7	0.10%
One America Place	Manufacturing	-	-	-	4,523,300	8	0.09%
Lohman Corporation	Manufacturing	-	-	-	4,327,500	9	0.09%
Somerset Golf Club		-	-	-	4,096,300	10	0.08%
Total Principal Property Tax Payers' Assessed Values		139,269,400		3.55%	87,771,400		1.72%
All Other Tax Payers' Assessed Values		<u>3,778,691,718</u>		<u>96.45%</u>	<u>5,001,257,068</u>		<u>98.28%</u>
Total Annual Assessed Values		<u>\$ 3,917,961,118</u>		<u>100.00%</u>	<u>\$ 5,089,028,468</u>		<u>100.00%</u>

Notes:

⁽¹⁾ Companies/entities with no amounts were not in the top ten for that year.

⁽²⁾ Amounts provided for real estate assessments only.

Source: Commissioner of Revenue

COUNTY OF ORANGE, VIRGINIA

TABLE 8

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		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2017	\$ 40,601,127	\$ 39,208,461	96.57%	\$ -	\$ 39,208,461	96.57%
2016	41,032,097	39,513,123	96.30%	980,769	40,493,892	98.69%
2015	42,035,631	41,509,115	98.75%	267,277	41,776,392	99.38%
2014	40,285,579	39,072,965	96.99%	1,184,044	40,257,009	99.93%
2013	38,114,349	37,414,751	98.16%	594,679	38,009,430	99.72%
2012	32,995,952	32,237,484	97.70%	755,799	32,993,283	99.99%
2011	31,815,752	31,299,234	98.38%	513,869	31,813,103	99.99%
2010	31,189,040	30,128,613	96.60%	1,058,027	31,186,640	99.99%
2009	31,114,223	29,624,406	95.21%	1,487,680	31,112,086	99.99%
2008	28,931,323	28,369,702	98.06%	559,833	28,929,535	99.99%

Source: Commissioner of Revenue, County Treasurer's Office.

COUNTY OF ORANGE, VIRGINIA

TABLE 9

RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years
(Unaudited)

Fiscal Year June 30,	Governmental Activities			Total Primary Government	Percentage of Personal Income ⁽¹⁾	Debt Per Capita ⁽¹⁾
	General Obligation Bonds	Other Notes/ Bonds	Capital Leases			
2017	\$ 41,974,252	\$ 52,508,303	\$ 892,640	\$ 95,375,195	N/A	\$ 2,661
2016	46,551,004	24,900,000	998,813	72,449,817	N/A	2,084
2015	50,004,318	25,852,628	1,438,147	77,295,093	5.18%	2,223
2014	54,474,685	26,666,166	1,310,884	82,451,735	6.01%	2,391
2013	59,095,722	27,133,866	1,565,987	87,795,575	6.53%	2,539
2012	61,063,084	28,775,000	1,050,901	90,888,985	7.15%	2,654
2011	65,397,332	29,535,000	1,205,537	96,137,869	8.12%	2,833
2010	73,209,104	29,589,064	1,657,766	104,455,934	9.10%	3,269
2009	76,354,106	29,836,524	2,136,850	108,327,480	9.88%	2,383
2008	45,920,518	29,997,222	2,594,984	78,512,724	8.25%	1,715

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 11.

COUNTY OF ORANGE, VIRGINIA

TABLE 10

**RATIOS 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 ⁽³⁾	Less: Amounts Reserved for Debt Service	Net Bonded Debt	Ratio of Net General Obligation Debt to Assessed Value ⁽²⁾	Net Bonded Debt per Capita ⁽¹⁾
2017	\$ 41,974,252	\$ 1,094,182	\$ 40,880,070	0.94%	\$ 1,141
2016	46,551,004	379,309	46,171,695	1.07%	1,328
2015	50,004,318	-	50,004,318	1.17%	1,438
2014	54,474,685	-	54,474,685	1.30%	1,580
2013	59,095,722	-	59,095,722	1.29%	1,709
2012	61,063,084	-	61,063,084	1.34%	1,783
2011	65,397,332	-	65,397,332	1.06%	1,927
2010	102,404,572	489,312	101,915,260	1.67%	3,037
2009	106,190,630	1,209,197	104,981,433	1.72%	3,150
2008	75,917,740	1,371,161	74,546,579	1.21%	2,263

Notes:

- ⁽¹⁾ Population data can be found in the Schedule of Demographic and Economic Statistics - Table 11.
- ⁽²⁾ See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property - Table 5.
- ⁽³⁾ Includes all long-term general obligation bonded debt, Literary Fund Loans, excludes revenue bonds, capital leases, and compensated absences.

COUNTY OF ORANGE, VIRGINIA

TABLE 11

DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years
(Unaudited)

Fiscal Year Ended June 30,	Population ⁽¹⁾	Personal Income ⁽¹⁾	Per Capita Personal Income ⁽¹⁾	Median Age ⁽²⁾	Public School Average Daily Membership ⁽³⁾	Unemployment Rate ⁽⁴⁾
2017	35,836	N/A	N/A	-	4,781	3.90%
2016	35,533	N/A	N/A	-	4,840	4.00%
2015	34,763	\$ 1,492,044,000	\$ 42,166	42.6	4,969	4.90%
2014	34,487	1,372,657,000	39,190	42.6	4,971	5.40%
2013	34,580	1,344,107,000	38,821	42.6	4,960	6.00%
2012	34,246	1,271,930,686	37,141	42.6	5,044	6.70%
2011	33,938	1,183,902,000	34,884	41.9-44	5,027	6.80%
2010	33,559	1,148,376,000	34,220	40-44.8	5,058	7.70%
2009	33,329	1,096,430,000	32,897	40-44.8	5,110	3.20%
2008	32,942	951,101,424	28,872	40-44.8	5,044	2.90%

Notes:

⁽¹⁾ Source: Bureau of Economic Analysis (BEARFACTS), www.fedstats.gov

⁽²⁾ Source: U.S. Census Bureau (American FactFinder)

⁽³⁾ Source: Virginia Department of Education (Annual Superintendent's Report 03/31)

⁽⁴⁾ Source: Virginia Workforce Connection

COUNTY OF ORANGE, VIRGINIA

TABLE 12

PRINCIPAL PRIVATE EMPLOYERS

Current Year and Nine Years Ago

(Unaudited)

Employer	2017			2008		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
American Woodmark	354	1	3.67%	195	6	2.15%
Germanna Community College*	330	2	3.42%	362	1	3.99%
MPS	299	3	3.10%	300	2	3.31%
Dogwood Village	239	4	2.48%	215	3	2.37%
Battlefield Farms	225	5	2.33%	136	8	1.50%
Zamma Corp.	217	6	2.25%	96	10	1.06%
Walmart	215	7	2.23%	-	-	-
Food Lion	194	8	2.01%	210	4	2.31%
Green Applications	175	9	1.82%	-	-	-
Aerojet	169	10	1.75%	134	9	1.48%
Ridge Tool Manufacturing	-	-	-	165	7	1.82%
American Press	-	-	-	210	5	2.31%
	<u>2,417</u>		<u>25.07%</u>	<u>2,023</u>		<u>22.29%</u>
Total County Employment	9,640			9,074		

Source: Virginia Employment Commission, 2nd Quarter 2016.

* *quasi private employer*

COUNTY OF ORANGE, VIRGINIA

OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years
(Unaudited)

TABLE 13
Page 1

Function	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Public safety										
Sheriffs department: ⁽¹⁾										
Calls for service	28,545	28,357	29,378	29,255	30,024	28,340	30,954	31,762	34,245	29,692
Traffic violations	3,498	2,719	2,471	2,499	2,602	2,017	2,429	3,320	3,260	2,294
Civil papers	9,559	8,979	10,064	10,919	9,913	10,379	10,679	11,051	11,920	11,648
Fire and rescue:										
Number of calls answered	9,048	6,475	6,529	5,707	5,962	6,834	5,463	5,696	4,686	5,385
Building inspections:										
Permits issued	902	880	778	848	826	693	633	679	675	985
Animal control:										
Number of calls answered ⁽¹⁾	693	640	1,280	1,229	776	1,385	1,319	1,213	658	767
Public works										
General maintenance:										
Trucks/vehicles	4	4	5	3	3	3	3	3	3	16
Landfill:										
Refuse collected (total tons per year)	24,623	24,225	15,871	24,373	23,696	25,985	33,269	35,946	44,914	47,762
Recycling (total tons per year)	1,042	2,909	1,571	1,979	7,000	1,733	1,561	2,076	2,343	4,035
Health and welfare										
Office on Youth Childcare Enrollment:										
Gordon Barbour Elementary School	48	51	55	37	37	42	43	N/A	N/A	N/A
Locust Grove Primary School	94	87	76	34	46	33	39	N/A	N/A	N/A
Orange Elementary School	48	43	36	43	site closed	site closed	30	N/A	N/A	N/A
Culture and recreation										
Parks and recreation:										
Youth sports participants	372	425	515	591	541	931	456	439	364	1,864
Community development										
Planning:										
Zoning permits issued	364	301	328	290	313	283	252	355	337	497
Component Unit – School Board										
Education:										
Average Daily Membership (ADM)	4,781	4,840	4,969	4,971	4,960	5,023	5,027	5,058	5,110	5,044
Number of teachers	380	360	348	348	346	339	346	391	388	386
Local expenditures per pupil	3,850	4,109	4,055	3,690	3,908	3,198	3,216	3,417	3,458	3,418

COUNTY OF ORANGE, VIRGINIA

TABLE 13

OPERATING INDICATORS BY FUNCTION

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Last Ten Fiscal Years

(Unaudited)

Function	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Full-Time Employee Population										
General government administration	34	31	32	32	32	29	29	33	34	34
Judicial administration	15	22	20	19	19	20	19	20	21	20
Public safety	104	97	97	94	93	87	86	88	95	88
Public works	8	8	8	8	8	8	8	9	9	8
Health and welfare	6	5	4	4	2	2	2	6	7	16
Parks, recreation and cultural	10	9	9	9	9	8	8	9	12	12
Community development	8	8	8	8	8	7	7	6	7	9
Non-departmental	1	-	-	-	-	-	-	-	-	-
Airport	1	1	1	1	1	1	1	1	2	2
Landfill	7	8	8	7	7	7	7	7	9	10
Capital Assets, net of accumulated depreciation⁽²⁾										
General administration	\$ 13,762,660	\$ 14,234,451	\$ 14,635,541	\$ 14,557,883	\$ 15,439,858	\$ 15,068,367	N/A	N/A	N/A	N/A
Judicial administration	7,704	12,801	17,896	13,588	-	-	N/A	N/A	N/A	N/A
Public safety	3,021,193	2,626,968	2,730,149	2,057,784	1,750,344	1,622,991	N/A	N/A	N/A	N/A
Public works	1,513,787	1,492,201	275,612	265,767	424,182	387,448	N/A	N/A	N/A	N/A
Health and welfare	90,917	71,277	67,154	45,282	-	30,018	N/A	N/A	N/A	N/A
Education	88,180,196	91,159,498	95,427,463	96,257,186	94,077,159	95,082,005	N/A	N/A	N/A	N/A
Parks, recreation and cultural	353,651	411,656	245,596	272,228	15,594	94,105	N/A	N/A	N/A	N/A
Community development	318,561	61,519	148,084	142,711	63,510	129,172	N/A	N/A	N/A	N/A
Airport	10,182,877	11,004,347	11,371,563	11,526,529	11,327,593	11,646,100	N/A	N/A	N/A	N/A
Landfill	2,501,973	2,355,044	2,976,312	3,301,381	3,912,590	1,267,444	N/A	N/A	N/A	N/A
Total	\$ 119,933,519	\$ 123,429,762	\$ 127,895,370	\$ 128,440,339	\$ 127,010,830	\$ 125,327,650	N/A	N/A	N/A	N/A

Source: Individual county departments

Notes:

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

⁽²⁾ Capital assets, net of accumulated depreciation amounts are exclusive of construction in progress.

COMPLIANCE SECTION

COUNTY OF ORANGE, VIRGINIA

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed-Through to Subrecipients	Total Federal Expenditures
DEPARTMENT OF AGRICULTURE:				
<u>Pass-through payments:</u>				
<u>Department of Social Services:</u>				
SNAP Cluster:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	Not provided	\$ -	\$ 285,000
Total SNAP Cluster				285,000
<u>Department of Agriculture:</u>				
Child Nutrition Cluster:				
Commodity Distributions	10.555	Not provided	-	136,194
Summer Food Service Program for Children	10.559	Not provided	-	537
				136,731
<u>Department of Education:</u>				
Child Nutrition Cluster:				
School Breakfast Program	10.553	Not provided	-	304,485
National School Lunch Program	10.555	Not provided	-	917,028
Summer Food Service Program for Children	10.559	Not provided	-	25,223
				1,246,736
Total Child Nutrition Cluster				1,383,467
<u>Department of Health:</u>				
Child and Adult Care Food Program	10.558	Not provided	-	43,025
Total Department of Agriculture				1,711,492
DEPARTMENT OF DEFENSE:				
<u>Direct payments:</u>				
<u>Department of Defense:</u>				
ROTC Language and Culture Training Grants	12.357		-	66,568
Total Department of Defense				66,568
DEPARTMENT OF THE INTERIOR:				
<u>Direct payments:</u>				
<u>Bureau of Land Management:</u>				
Payments in Lieu of Taxes	15.226		-	15,121
Total Department of the Interior				15,121

COUNTY OF ORANGE, VIRGINIA

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed-Through to Subrecipients	Total Federal Expenditures
DEPARTMENT OF JUSTICE:				
<u>Pass-through payments:</u>				
<u>Department of Criminal Justice Services:</u>				
Crime Victim Assistance	16.575	17-T9571VW15	\$ -	\$ 62,628
Edward Byrne Memorial Justice Assistance Grant Program	16.738	Not provided	-	824
Total Department of Justice				63,452
DEPARTMENT OF TRANSPORTATION:				
<u>Pass-through payments:</u>				
<u>Department of Motor Vehicles:</u>				
Highway Safety Cluster:				
State and Community Highway Safety	20.600	Not provided	-	16,908
Total Highway Safety Cluster				16,908
Total Department of Transportation				16,908
DEPARTMENT OF EDUCATION:				
<u>Pass-through payments:</u>				
<u>Department of Education:</u>				
Adult Education - Basic Grants to States				
Title I Grants to Local Education Agencies	84.002	V002A140047	-	128,564
Advance Placement Program	84.010	S010A140046	-	815,341
	84.330	Not provided	-	1,954
Special Education Cluster:				
Special Education - Grants to States	84.027	H027A140107	-	1,093,164
Special Education - Preschool Grants	84.173	H173A140112	-	26,740
Total Special Education Cluster				1,119,904
Career and Technical Education - Basic Grants to States				
English Language Acquisition State Grants	84.048	V048A140046	-	71,739
Supporting Effective Instruction State Grant	84.365	S365A140046	-	14,665
	84.367	S367A140044	-	140,899
Total Department of Education				2,293,066

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed-Through to Subrecipients	Total Federal Expenditures
DEPARTMENT OF HEALTH AND HUMAN SERVICES:				
<u>Direct payments:</u>				
<u>Department of Health and Human Services:</u>				
Head Start	93.600		\$ -	\$ 1,859,452
<u>Pass-through payments:</u>				
<u>Department of Social Services:</u>				
Promoting Safe and Stable Families	93.556	Not provided	-	10,854
TANF Cluster:				
Temporary Assistance for Needy Families	93.558	Not provided	-	193,349
Total TANF Cluster				193,349
Refugee and Entrant Assistance - State Administered Programs	93.566	Not provided	-	551
Low-Income Home Energy Assistance	93.568	Not provided	-	20,401
Child Care and Development Fund Cluster:				
Child Care and Development Block Grant	93.575	Not provided	-	(627)
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	Not provided	-	31,254
Total Child Care and Development Fund Cluster				30,627
Chafee Education and Training Vouchers Program (ETV)	93.599	Not provided	-	4,315
Adoption and Legal Guardianship Incentive Payments	93.603	Not provided	-	2,517
Stephanie Tubbs Jones Child Welfare Services Program	93.645	Not provided	-	333
Foster Care - Title IV-E	93.658	Not provided	-	269,399
Adoption Assistance	93.659	Not provided	-	220,094
Social Services Block Grant	93.667	Not provided	-	145,516
Chafee Foster Care Independence Program	93.674	Not provided	-	989
Children's Health Insurance Program	93.767	Not provided	-	12,155
Medicaid Cluster:				
Medical Assistance Program	93.778	Not provided	-	603,811
Total Medicaid Cluster				603,811
Total Department of Health and Human Services				3,374,363
Total Expenditures of Federal Awards				\$ 7,540,970

COUNTY OF ORANGE, VIRGINIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended June 30, 2017

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the County of Orange, Virginia and component unit, Orange County School Board under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County.

Federal Financial Assistance – The Single Audit Act Amendments of 1996 (Public Law 104-156) and Uniform Guidance define federal financial assistance as grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations or other assistance. Nonmonetary deferral assistance including food commodities is considered federal assistance and, therefore, is reported on the Schedule. Federal financial assistance does not include direct federal cash assistance to individuals.

Direct Payments – Assistance received directly from the Federal government is classified as direct payments on the Schedule.

Pass-through Payments – Assistance received in a pass-through relationship from entities other than the Federal government is classified as pass-through payments on the Schedule.

Major Programs – The Single Audit Act Amendments of 1996 and Uniform Guidance establish the criteria to be used in defining major programs. Major programs for the County of Orange, Virginia and its component units were determined using a risk-based approach in accordance with Uniform Guidance.

Catalog of Federal Domestic Assistance – The Catalog of Federal Domestic Assistance (CFDA) is a government-wide compendium of individual federal programs. Each program included in the catalog is assigned a five-digit program identification number (CFDA Number), which is reflected in the Schedule.

Cluster of Programs – Closely related programs that share common compliance requirements are grouped into clusters of programs. A cluster of programs is considered as one federal program for determining major programs. The following are the clusters administered by the County of Orange, Virginia and its component units: SNAP, Child Nutrition, Highway Safety, Special Education, TANF, Child Care and Development Fund, and Medicaid.

COUNTY OF ORANGE, VIRGINIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended June 30, 2017

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3. Indirect Cost Rate

The County has elected to not use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4. Non-Cash Assistance

In addition to amounts reported on the Schedule, the County of Orange, Virginia consumed non-cash assistance in the form of food commodities. Commodities with a fair value of \$136,194 at the time received were consumed during the year ended June 30, 2017. These commodities were included in the determination of federal awards expended during the year ended June 30, 2017.



**INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Honorable Members of the Board of Supervisors
County of Orange, Virginia

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, 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 (County), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 27, 2017.

Internal Control over Financial Reporting

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

Our consideration of internal of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. We consider items 2017-001 through 2017-003 described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider item 2017-004 described in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2017-005 through 2017-007.

The County's Response to Findings

The County's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

PBmares, LLP

Harrisonburg, Virginia
November 27, 2017



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the Honorable Members of the Board of Supervisors
County of Orange, Virginia

Report on Compliance for Each Major Federal Program

We have audited the County of Orange, Virginia's (County) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2017. 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require 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 our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2017-008 through 2017-011. Our opinion on each major federal program is not modified with respect to these matters.

The County's Response to Noncompliance Finding

The County's response to the noncompliance findings identified in our audit as items 2017-008 through 2017-011 are described in the accompanying Schedule of Findings and Questioned Costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2017-008 through 2017-011, that we consider to be material weaknesses.

The County's Response to Findings

The County's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

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

PBmares, LLP

Harrisonburg, Virginia
November 27, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

Section I. SUMMARY OF AUDITOR'S RESULTS*Financial Statements*

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified?	<u> √ </u> Yes	<u> </u> No
Significant deficiencies identified?	<u> √ </u> Yes	<u> </u> None Reported

Noncompliance material to financial statements noted?	<u> √ </u> Yes	<u> </u> No
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Federal Awards

Internal control over major programs:

Material weakness identified?	<u> √ </u> Yes	<u> </u> No
Significant deficiencies identified?	<u> </u> Yes	<u> √ </u> None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required
to be reported in accordance with section
2 CFR 200.516(a)?

<u> √ </u> Yes	<u> </u> No
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Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Grants to Local Education Agencies

Special Education Cluster:

84.027	Special Education - Grants to States
84.173	Special Education - Preschool Grants

TANF Cluster:

93.558	Temporary Assistance for Needy Families
93.658	Foster Care – Title IV-E
93.659	Adoption Assistance

Medicaid Cluster:

93.778	Medical Assistance Program
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Dollar threshold used to distinguish between type A and type B programs \$750,000

Auditee qualified as low-risk auditee?	<u> </u> Yes	<u> √ </u> No
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

Section II. FINANCIAL STATEMENT FINDINGS

A. Material Weaknesses in Internal Control

2017-001: Material Weakness Due to Material Audit Adjustments

Criteria: The year-end financial statements obtained from the County, School Board, Economic Development Authority and Broadband Authority to be audited should be final and free of material misstatements.

Condition: Upon auditing the year-end balances of the School Board and Broadband Authority, there were instances of material adjustments identified.

Context: Upon auditing the School Board's year-end balances, entries were required to properly record the net pension liability and related deferred outflows of resources, deferred inflows of resources, and pension expense, which were not properly recorded in the School Board's records. Upon auditing the Broadband Authority's year-end balances, entries were required to properly reduce expenses for capital assets purchased and properly record net position of the Broadband Authority.

Cause: There was lack of sufficient review to ensure items noted above were accurately recorded.

Repeat Finding: This is a repeat finding, as the prior year finding was identified as 2016-001.

Effect: As noted above, the effect of these transactions was to misstate current year net position of the School Board and Broadband Authority. The necessary entries above were material to the financial statements and were included as adjustments in order to more accurately represent the financial position of each of the above. Failure to record the items noted above is a departure from accounting principles generally accepted in the United States of America.

Recommendation: We recommend the School Board and Broadband Authority increase levels of due diligence in maintaining accurate account balances. We also recommend a thorough review of the general ledger and supporting schedules prior to the audit.

Views of Responsible Officials: The auditee agrees with these recommendations and has taken the necessary steps to prevent a recurrence.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

Section II. FINANCIAL STATEMENT FINDINGS (Continued)

A. Material Weaknesses in Internal Control (Continued)

2017-002: Segregation of Duties over School Board Payroll and Accounts Payable

Criteria: Duties related to significant accounting processes, including payroll and accounts payable, should be segregated to the fullest extent, to avoid the risk of fraudulent activity, errors, and allow for continuity in the event of an unexpected and/or untimely absence of an employee involved in the process.

Condition: In auditing the internal control over the School Board's payroll and accounts payable systems, it was determined certain employees within the Finance Department are able to access and update the employee master file, as well as input time sheets into the system, and process payroll. Certain employees also have access to update the vendor master file, create purchase orders, and process accounts payable.

Context: Certain users involved in the School Board's accounting processes have access to all elements of the payroll and accounts payable modules.

Cause: Additional rights were granted to employees in an effort to cross-train and provide backup in the event of employee absence. Rather than granting specific rights to individuals, certain employees were granted all rights within the module.

Repeat Finding: This is a repeat finding, as the prior year finding was identified as 2016-003.

Effect: The potential effect of this lack of segregation of duties over these functions could allow for errors and defalcations within the payroll and accounts payable cycles. Furthermore, the lack of segregation of duties creates an environment in which there is more potential for human error, which could go undetected.

Recommendation: Employee user access to the payroll and accounts payable modules should be reviewed, with access restricted to only those modules necessary to perform assigned functions. Due to the inherent nature of the transactions and the significant dollar amounts involved, payroll and accounts payable are likely areas for errors and defalcations. Better segregation of duties will enhance controls to detect any such errors, fraud or irregularities and provide for much greater safeguarding of assets.

Views of Responsible Officials: The auditee agrees with these recommendations and has taken the necessary steps to prevent a recurrence.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

Section II. FINANCIAL STATEMENT FINDINGS (Continued)**A. Material Weaknesses in Internal Control (Continued)****2017-003: Social Services Case Records**

Criteria: The accurate maintenance of case records is essential to the operations and compliance of the Orange County Department of Social Services (Department). Maintenance of client case records should follow proper internal control procedures to prevent fraud or error, including review by Supervisors. There should be proper accountability regarding responsibility for cases. Caseloads should be reasonable, allocated equitably, and allow workers sufficient time to adequately complete their duties. Unit meetings and individual case staffing sessions should occur regularly. Open referrals should be addressed on a timely basis. Adequate coverage and assignment of referrals should be granted for workers when away. Each case should be adequately documented to ensure each case record is up to date.

Condition: Due to the caseload burden carried by staff, there was insufficient time for the Supervisor to provide scheduled supervision or conduct unit meetings, and neither regular unit meetings nor individual case staffing sessions were occurring. In addition, the caseload burden for staff was noted to be overwhelming and inequitably distributed, preventing staff from adequately servicing each case. There was inadequate coverage granted for workers when away, resulting in lack of timely assignment of referrals. The Department consistently failed to maintain adequate documentation of case records in Oasis.

Context: Based on inquiries and internal control walkthroughs performed, the above condition appears pervasive throughout all case records.

Cause: There was lack of due diligence and review to ensure items noted above were accurately recorded and documented. The Department has experienced a chronic staff shortage, resulting in an inadequate number of workers to adequately complete necessary duties.

Repeat Finding: This is a repeat finding, as the prior year finding was identified as 2016-005.

Effect: Inadequate supervisory review, lack of clear delegation of responsibility, overwhelming and inequitable caseloads, lack of individual and unit meetings, untimely resolution and assignment of open referrals, and lack of adequate recordkeeping for case records results in the potential for error, fraud, or noncompliance with regulations, which could potentially remain undetected.

Recommendation: We recommend evaluating the staffing needs of the Department to ensure caseloads are reasonable, equitably distributed, and that each case can be properly managed and supervised. Supervisors should engage in periodic review of case records. Such case records should be complete and up to date. There should be a clear assignment of responsibility for all cases. Unit and individual case staffing sessions should occur on a regular basis. Open referrals should be resolved on a timely basis. A formal process should be put in place to address immediate referral needs as they occur when the assigned worker is away. Documentation for all case records should be current and complete.

Views of Responsible Officials: The auditee agrees with these recommendations and has taken the necessary steps to prevent a recurrence.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

Section II. FINANCIAL STATEMENT FINDINGS (Continued)**B. Significant Deficiency****2017-004: Significant Deficiency Due to Significant Audit Adjustments**

Criteria: The year-end financial statements obtained from the County, School Board, Economic Development Authority and Broadband Authority to be audited should be final and free of significant misstatements.

Condition: Upon auditing the year-end balances of the County's Governmental Activities, the Airport Fund and Landfill Fund, there were instances of significant adjustments identified.

Context: Upon auditing the County's year-end balances, entries were required to properly record the deferred outflows of resources related to the net pension liability for the Governmental Activities, Airport Fund and Landfill Fund. Upon auditing the Airport Fund's year-end balances, entries were required to properly reduce expenses for capital assets purchased and properly record net position of the Airport Fund.

Cause: There was lack of sufficient review to ensure items noted above were accurately recorded.

Effect: As noted above, the effect of these transactions was to misstate current year net position of the Governmental Activities, Airport Fund and Landfill fund. The necessary entries above were significant to the financial statements and were included as adjustments in order to more accurately represent the financial position of each of the above. Failure to record the items noted above is a departure from accounting principles generally accepted in the United States of America.

Recommendation: We recommend the County increase levels of due diligence in maintaining accurate account balances. We also recommend a thorough review of the general ledger and supporting schedules prior to the audit.

Views of Responsible Officials: The auditee agrees with these recommendations and has taken the necessary steps to prevent a recurrence.

C. Compliance Findings**2017-005: Social Services LASER Reconciliation to the General Ledger Not Completed**

Criteria: Per the *Specifications for Audits of Counties, Cities and Towns*, issued by the APA of the Commonwealth of Virginia, Chapters 3-15 Social Services section entitled *General Ledger Reconciliation*, "amounts reported in LASER must be reconciled monthly to be in compliance with Section 3.60, LASER Expenditure Reconciliation and Certification, of the *LDSS Finance Guidelines Manual for Local Departments of Social Service*."

Condition: During the fiscal year 2017 audit, it was determined the monthly LASER amounts were not being reconciled to the General Ledger.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

Section II. FINANCIAL STATEMENT FINDINGS (Continued)

B. Compliance Findings (Continued)

2017-005: Social Services LASER Reconciliation to the General Ledger Not Completed (Continued)

Context: Based on inquiries and testing performed, the lack of reconciliation noted above appears pervasive throughout the entire year.

Cause: Due to limited resources within the Orange Department of Social Services.

Repeat Finding: This is a repeat finding, as the prior year finding was identified as 2016-010.

Effect: Noncompliance with reconciliation requirements may result in unidentified errors in recording transactions.

Recommendation: We recommend the County and Department of Social Services implement procedures to be in compliance with the specifications of the Auditor of Public Accounts.

Views of Responsible Officials: The auditee agrees with these recommendations and has taken the necessary steps to prevent a recurrence.

2017-006: Social Services Untimely Completion of Termination and Separation Checklists of Terminated Users

Criteria: According to the *Specifications for Audits of Counties, Cities and Towns*, Chapter 3-15 Social Services section entitled *Terminated Users*, "When a user leaves the LDSS (Local Department of Social Services), their access privileges must be immediately removed from all systems they were authorized to use," which is defined as "within three working days of employment termination."

Condition: In auditing the termination and separation checklists, it was determined not all checklists were completed on a timely basis.

Context: In testing the removal of access privileges of three terminated employees, one employee who was terminated in May 2017 did not have a termination and separation checklist completed until June 2017. Another employee terminated in July 2016 had no termination and separation checklist completed during the fiscal year. This is considered a statistically valid sample.

Cause: Due to limited resources within the Orange Department of Social Services.

Repeat Finding: This is a portion of a repeat finding, as the termination and separation checklists portion of the prior year finding was identified as 2016-013.

Effect: Noncompliance with regulations may result in terminated individuals retaining inappropriate user access.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

Section II. FINANCIAL STATEMENT FINDINGS (Continued)

B. Compliance Findings (Continued)

2017-006: Social Services Untimely Completion of Termination and Separation Checklists of Terminated Users (Continued)

Recommendation: We recommend a termination and separation checklist be completed within three business days of each employee's termination in order to ensure compliance with this requirement.

Views of Responsible Officials: The auditee agrees with these recommendations and has taken the necessary steps to prevent a recurrence.

2017-007: Social Services Information Systems Security Controls

Criteria: In order to comply with the *Specifications for Audits of Counties, Cities and Towns*, Chapter 3-15 Social Services, the Local Security Officer at the Department of Social Services should be annually reviewing all employees' access to each application with employees' supervisors to ensure the access is properly aligned with job responsibilities, in addition to approval of initial access. The Department should also have documentation indicating employees and volunteers have acknowledged reading and understanding the VDSS Acceptable Use Policy.

Condition: In testing compliance with information systems security controls, it was noted documentation of such forms and review is haphazardly completed and maintained. Of the forms tested, we noted employees with missing initial access request forms, missing annual IT access reviews, and missing annual acceptable use policy acknowledgements.

Context: Of the five employees tested for proper completion of required forms, one annual acceptable use policy form was not completed. Documentation of annual review of employee access was lacking for all five employees tested. This is considered a statistically valid sample.

Cause: Due to limited resources within the Orange Department of Social Services.

Repeat Finding: This is a repeat finding, as the prior year finding was identified as 2016-014.

Effect: Noncompliance with regulations may result in individuals being granted inappropriate user access, or retaining user access which is no longer appropriate as employee duties change over time.

Recommendation: We recommend initiating formal procedures to review initial access request forms, annual IT access, and acceptable use policy acknowledgements on a regular basis to ensure compliance with state requirements.

Views of Responsible Officials: The auditee agrees with these recommendations and has taken the necessary steps to prevent a recurrence.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

Section III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

A. Material Weaknesses

2017-008: Eligibility – Medical Assistance Program – CFDA Number 93.778; Award period: Year Ended June 30, 2017; Pass-through entity name: Virginia Department of Social Services

Criteria and Condition: Code of Federal Regulations 42 CFR 435.916 – Periodic redeterminations of Medicaid eligibility – “The agency must redetermine the eligibility of Medicaid beneficiaries, with respect to circumstances that may change, at least every 12 months.” The program has not complied with this requirement.

Context: Of the 30 eligibility determinations tested, eight redeterminations within the specified 12 month timeframe were not performed. Although the Code of Federal Regulations allows certain eligibility factors such as blindness and disability to be considered as continuing until the conditions are no longer met, other eligibility factors which may change required redeterminations be performed. This is considered a statistically valid sample.

Cause: Due to limited resources within the Orange Department of Social Services.

Effect: Noncompliance with regulations may result in improper payments to individuals who have not received a timely redetermination of eligibility.

Questioned Costs: Undetermined

Recommendation: The Orange Department of Social Services should develop internal control procedures to ensure employees complete the annual eligibility redeterminations in a timely manner as required by program regulations.

Views of Responsible Officials: The auditee agrees with these recommendations and has taken the necessary steps to prevent a recurrence.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2017

Section III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

A. Material Weaknesses (Continued)

2017-009: Allowable Costs – Adoption Assistance – CFDA Number 93.659; Award period: Year Ended June 30, 2017; Pass-through entity name: Virginia Department of Social Services

Criteria and Condition: US Code 42 USC 673(a)(3) – Adoption assistance subsidy payments cannot exceed the foster care maintenance payment (in accordance with the Title IV-E agency’s rate schedule) the child would have received in a foster family home; however the amount of subsidy payments may be up to 100 percent of that foster care maintenance payment rate.

US Code 42 USC 675(3) – The term “adoption assistance agreement” means a written agreement, binding on the parties to the agreement, between the State agency, other relevant agencies, and the prospective adoptive parents of a minor child which at a minimum specifies the nature and amount of any payments, services, and assistance to be provided under such agreement. Per the Virginia Department of Social Services Child and Family Services Manual, the Virginia Annual Affidavit for Adoption Assistance is the required annual certification by the adoptive parents that the child continues to be eligible for adoption assistance. It informs the LDSS when the adoption assistance agreement needs to be renegotiated. It also documents school enrollment information required by federal law.

Context: Of the 54 payments tested, one payment exceeded the foster care maintenance payment the child would have received in a foster family home. Of the 17 children tested, nine Virginia Annual Affidavits for Adoption Assistance were not performed. This is considered a statistically valid sample.

Cause: Due to limited resources within the Orange Department of Social Services.

Effect: Noncompliance with regulations may result in improper payments to adoptive parents which exceed the allowed amounts, or which may be for children no longer eligible for adoption assistance.

Questioned Costs: Undeterminable

Recommendation: The Orange Department of Social Services should develop internal control procedures to ensure adoption subsidy agreements do not exceed the equivalent foster care maintenance payment, and that adoptive parents sign the Virginia Annual Affidavit for Adoption Assistance on a timely basis.

Views of Responsible Officials: The auditee agrees with these recommendations and has taken the necessary steps to prevent a recurrence.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

Section III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)**A. Material Weaknesses (Continued)****2017-010: Uniform Guidance**

Criteria and Condition: The County, School Board, and Department of Social Services were required to implement the Uniform Guidance (2 CFR 200), which superseded OMB Circular A-133. As part of the new Uniform Guidance requirements, previous policies and procedures should be amended to address the following rules and regulations:

- Uniform Guidance Cost Principles – Cost Principles under OMB Circular A-87 have been superseded by the Uniform Guidance Cost Principles (2 CFR 200, Subpart E–Cost Principles).
- Conflicts of Interest Policy – According to 2 CFR §200.112, “The Federal awarding agency must establish written conflict of interest policies for Federal awards. The non-Federal entity must disclose in writing any potential conflict of interest to the Federal awarding agency or pass-through entity in accordance with applicable Federal awarding agency policy.” 2 CFR §200.112 further notes, “The non-Federal entity or applicant for a Federal award must disclose, in a timely manner, in writing to the Federal awarding agency or pass-through entity all violations of Federal criminal law involving fraud, bribery, or gratuity violations potentially affecting the Federal award. Failure to make required disclosures can result in any of the remedies described in §200.338, *Remedies for Noncompliance*, including suspension or debarment.”
- Cash Management Policy – Under the Uniform Guidance rules, there are documentation requirements related to cash management as it pertains to receiving Federal funds in advance of expenditures occurring. The County, School Board, and Department must document compliance with 2 CFR §200.302, which requires the financial management system of each non-federal entity to provide written procedures to implement the requirements of §200.305, *Payment*.
- Procurement Policy – The Office of Management and Budget (OMB) has issued an addendum to the Uniform Guidance which extends the delayed implementation timeframe of procurement policy standards by an additional year and will be effective for fiscal year 2019. Until the procurement policy changes are implemented, the County, School Board, and Department should document in writing whether they are complying with the new Uniform Guidance requirements or whether they are delaying implementation.

Context: Policies and procedures required by Uniform Guidance were not documented by the County, School Board, or Department of Social Services.

Cause: There was a lack of due diligence to ensure that policies were in compliance with Uniform Guidance.

Effect: Noncompliance with regulations may result in improper payments.

Questioned Costs: Undeterminable

Recommendation: We recommend the County, School Board, and Department of Social Services adopt or amend the current policies and procedures to address the rules and regulations required by Uniform Guidance.

Views of Responsible Officials: The auditee agrees with these recommendations and will document policies in accordance with Uniform Guidance requirements.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

Section III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)**A. Material Weaknesses (Continued)****2017-011: Schedule of Federal Expenditures of Federal Awards**

Criteria: *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* at 2 CFR 200 (Uniform Guidance) identifies the auditee's responsibilities for the compliance audit engagement. The Uniform Guidance states the auditee must prepare a Schedule of Expenditures of Federal Awards (Schedule) for the period covered by the auditee's financial statements, which must include the total federal awards expended as determined by 2 CFR 200.502. The Schedule provided should be final and free of material misstatements.

Condition: It was noted the School Board excluded federal expenditures from its Schedule that were received from the Department of Agriculture.

Context: Upon obtaining the original Schedule provided, the Schedule was agreed to federal revenues and federal expenditures recorded in the general ledger in order to identify whether items were properly recorded. Amounts recorded as due from federal agencies were additionally examined, to ensure amounts did, in fact, relate to federal funds. Upon further investigation, it was determined the Schedule provided for audit did not include approximately \$43,000 for the Child and Adult Care Food Program. The amount was recorded in the general ledger as miscellaneous revenue but omitted from the Schedule. The Schedule was adjusted to properly reflect current year federal grant expenditures.

Cause: A lack of awareness that the funding received was from a federal agency.

Effect: As a result of the omission of the expenditures, the Schedule was misstated for the year ended June 30, 2017. The improper reporting of expenditures can potentially lead to a decrease in funding received or the discontinuance of federal awards in the future.

Questioned Costs: \$43,025

Recommendation: We recommend the School Board perform the necessary processes and procedures to ensure all federal awards are properly reported on its Schedule.

Views of Responsible Officials: The auditee agrees with these recommendations and has taken the necessary steps to prevent a recurrence.

CORRECTIVE ACTION PLAN
Year Ended June 30, 2017

Identifying Number: 2017-001: Material Weakness Due to Material Audit Adjustments

Finding:

Upon auditing the School Board's year-end balances, entries were required to properly record the net pension liability and related deferred outflows of resources, deferred inflows of resources, and pension expense, which were not properly recorded in the School Board's records. Upon auditing the Broadband Authority's year-end balances, entries were required to properly reduce expenses for capital assets purchased and properly record net position of the Broadband Authority.

Corrective Action Taken or Planned:

The School Board will monitor the account balances, general ledger, and supporting schedules throughout the year and will review for accuracy in advance of the audit.

Identifying Number: 2017-002: Segregation of Duties over School Board Payroll and Accounts Payable

Finding:

In auditing the internal control over the School Board's payroll and accounts payable systems, it was determined certain employees within the Finance Department are able to access and update the employee master file, as well as input time sheets into the system, and process payroll. Certain employees also have access to update the vendor master file, create purchase orders, and process accounts payable.

Corrective Action Taken or Planned:

The School Board will review our current employee access to the payroll and accounts payable modules and will limit access if not required to perform designated duties.

Identifying Number: 2017-003: Social Services Case Records

Finding:

Due to the caseload burden carried by staff, there was insufficient time for the Supervisor to provide scheduled supervision or conduct unit meetings, and neither regular unit meetings nor individual case staffing sessions were occurring. In addition, the caseload burden for staff was noted to be overwhelming and inequitably distributed, preventing staff from adequately servicing each case. There was inadequate coverage granted for workers when away, resulting in lack of timely assignment of referrals. The Department consistently failed to maintain adequate documentation of case records in Oasis.

Corrective Action Taken or Planned:

The Department is recruiting to adequately staff the Family Services Unit in order to implement the recommendations. The Family Services Unit is now having regular staff meetings.

CORRECTIVE ACTION PLAN

Year Ended June 30, 2017

Identifying Number: 2017-004: Significant Deficiency Due to Significant Audit Adjustments

Finding:

Upon auditing the County's year-end balances, entries were required to properly record the deferred outflows of resources related to the net pension liability for the Governmental Activities, Airport Fund and Landfill Fund. Upon auditing the Airport Fund's year-end balances, entries were required to properly reduce expenses for capital assets purchased and properly record net position of the Airport Fund.

Corrective Action Taken or Planned:

The County will review its procedures for the recording of capital assets in the proprietary funds to ensure proper statements of net position. In addition, a more thorough review of net pension liability will be conducted to ensure proper recording of deferred outflows.

Identifying Number: 2017-005: Social Services LASER Reconciliation to the General Ledger Not Completed

Finding:

During the fiscal year 2017 audit, it was determined the monthly LASER amounts were not being reconciled to the General Ledger.

Corrective Action Taken or Planned:

The Department of Social Services consistently reconciles the financial system (Thomas Brothers) to LASER each month. Unfortunately, due to staffing limitations, we have not been able to consistently reconcile LASER to the County's financial system. The Department is aware of the requirement to reconcile both systems to LASER and will perform the additional reconciliation as soon as staffing allows. The Department has a part-time position that is budgeted to go full-time after the first of the calendar year. At that point (if not sooner), the Department will have adequate staffing to perform the second monthly reconciliation.

Identifying Number: 2017-006: Social Services Untimely Completion of Termination and Separation Checklists of Terminated Users

Finding:

In testing the removal of access privileges of terminated employees, one employee who was terminated in May 2017 did not have a termination and separation checklist completed until June 2017. Another employee terminated in July 2016 had no termination and separation checklist completed during the year.

Corrective Action Taken or Planned:

The Department of Social Services' local security officer / IT coordinator left the Department in August 2016 and the position was left vacant due to budget constraints. The Office Manager assumed this responsibility and does terminate systems access promptly 100% of the time; however, due to staffing limitations and an unusually high turnover rate in recent years, there has occasionally been a delay in completing the form. The Department has a part-time position that is budgeted to go full-time after the first of the calendar year. At that point (if not sooner), the Department will have adequate staffing to promptly complete the separation form.

CORRECTIVE ACTION PLAN

Year Ended June 30, 2017

Identifying Number: 2017-007: Social Services Information Systems Security Controls

Audit Finding:

In testing compliance with information systems security controls, it was noted documentation of such forms and review is haphazardly completed and maintained. Of the forms tested, we noted employees with missing initial access request forms, missing annual IT access reviews, and missing annual acceptable use policy acknowledgements.

Corrective Action Taken or Planned:

- 1) Initial access forms are completed consistently for all new hires. The initial access forms that were missing were for staff that joined the agency in past years.
- 2) The annual system access review was completed for all employees in 2015 but, due to limited staffing, it was only partially completed in 2016. This year's user access review was completed in November 2017 for all employees and will be completed annually for all staff going forward.
- 3) Beginning in 2017, Virginia Department of Social Services (VDSS) changed the requirements for acceptable use acknowledgements. The acknowledgements are now completed and submitted directly to the VDSS main office as part of each employee's mandatory online security training. Failure to complete the security training and submit the acknowledgement results in automatic suspension of the user's network and system access. VDSS will not reinstate the user's access until their training and acknowledgement are complete. Per VDSS, beginning in 2017, local Department of Social Services offices are no longer required to obtain the annual acceptable use agreements or security training certificates.

Identifying Number: 2017-008: Eligibility – Medical Assistance Program

Audit Finding:

Of the 30 eligibility determinations tested, eight redeterminations within the specified 12 month timeframe were not performed.

Corrective Action Taken or Planned:

The Department has been and will continue to work diligently to decrease the number of overdue Medicaid renewals. The number of late renewals has decreased significantly in recent months. All eligibility workers have been instructed to schedule daily "protected time" which is dedicated solely to reviewing and reducing the late renewals.

CORRECTIVE ACTION PLAN
Year Ended June 30, 2017

Identifying Number: 2017-009: Allowable Costs – Adoption Assistance

Audit Finding:

Of the 55 payments tested, one payment exceeded the foster care maintenance payment the child would have received in a foster family home. Of the 18 children tested, nine Virginia Annual Affidavits for Adoption Assistance were not performed.

Corrective Action Taken or Planned:

The Department concurs with the findings and has taken action to correct the deficiencies. The payment in question was for an adoption finalized in 2006. The former caseworker and former director erred in not applying proper guidance. The Department recently remedied this issue by changing the funding source for this payment based on guidance from VDSS adoption program experts. To prevent these types of errors, VDSS has assigned adoption negotiators to each region to assist with each adoption negotiation and to ensure that Departments are aware of and adhere to policy. The Department has not had adequate staffing to complete the annual affidavits in a timely manner. The Department is currently recruiting to fill the Family Services Unit's vacancies and expect this will allow timely completion of affidavits going forward. All 2017 affidavits have been completed and are located in the appropriate case file.

Identifying Number: 2017-010: Uniform Guidance

Audit Finding:

Policies and procedures required by Uniform Guidance were not documented by the County, School Board, or Department of Social Services.

Corrective Action Taken or Planned:

The County, School Board and Department of Social Services will follow the recommendation to adopt or amend the current policies and procedures to address the rules and regulations required by Uniform Guidance.

Identifying Number: 2017-011: Schedule of Federal Expenditures of Federal Awards

Audit Finding:

Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards at 2 CFR 200 (Uniform Guidance) identifies the auditee's responsibilities for the compliance audit engagement. The Uniform Guidance states the auditee must prepare a Schedule of Expenditures of Federal Awards (Schedule) for the period covered by the auditee's financial statements, which must include the total federal awards expended as determined by 2 CFR 200.502. The Schedule provided should be final and free of material misstatements. It was noted the School Board excluded federal expenditures from its Schedule received from the Department of Agriculture.

Corrective Action Taken or Planned:

The School Board has corrected this finding and will continue to perform the necessary processes and procedures to ensure all federal awards are properly recorded on the Schedule.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2017

Identifying Number: 2016-001: Material Weakness Due to Material Audit Adjustments

Audit Finding:

Criteria: The year-end financial statements obtained from the County, School Board, and Economic Development Authority to be audited should be final and free of material misstatements.

Condition: Upon auditing the year-end balances of the County, School Board, and Economic Development Authority, there were instances of material adjustments identified, including entries to restate prior periods.

Context: Pertaining specifically to recording capital assets of the Economic Development Authority, capital assets should be recorded when monies are expended or when donations are received. Capital asset expenditures are expensed in the fund statements, but then shown as a reconciling item on the entity-wide statements. Capital asset donations are shown as a reconciling item on the entity-wide statements. Upon auditing the Economic Development Authority's year-end balances, an entry to restate prior periods was required to recognize capital assets not previously recorded by the Economic Development Authority.

Upon auditing the County's year-end balances, entries were required to restate prior periods to record capital assets not previously recorded by the County. In auditing accounts payable, material adjustments were made to the County's Capital Projects Fund to correct for items improperly included in the accounts payable balance and to reduce expenditures for items that are to be recognized as expenditures in a future period.

Upon auditing the School Board's year-end balances, entries were required to restate prior periods to reclassify capital assets that were improperly included in the construction in progress balance at year end and, therefore, the capital assets were not depreciating properly. Entries were required to recognize the asset as depreciable and record the related accumulated depreciation for the time period the asset was in service. Additionally, an entry was required to restate the prior period to properly record the compensated absences liability, based on the School Board's compensated absences policy. The calculation of the liability was not in accordance with the School Board's policy which states sick leave balance will only be paid out upon retirement. Balances pertaining to employees ineligible for retirement were improperly included in the liability calculation, resulting in a material adjustment in the current year balance and a restatement of the prior year balance.

Cause: There was lack of sufficient review to ensure items noted above were accurately recorded.

Effect: As noted above, the effect of these transactions was to misstate prior and current year fund balances and net position of the County, School Board, and Economic Development Authority. The necessary entries and restatements above were material to the financial statements, and were included as adjustments in order to more accurately represent the financial position of each of the above. Failure to record the items noted above is a departure from accounting principles generally accepted in the United States of America.

Recommendation: We recommend the County, School Board, and Economic Development Authority increase levels of due diligence in maintaining schedules to support accurate account balances. We also recommend a thorough review of the general ledger and supporting schedules prior to the audit.

Corrective Action Taken or Planned:

The County, School Board and Economic Development Authority have implemented policies and procedures in order to reduce the instances of material adjustments.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2017

Identifying Number: 2016-002: School Board Capital Lease Proceeds and Unrecorded Bank Account

Audit Finding:

Criteria: All current year account balances, transactions and activities should be properly recorded in the general ledger to accurately reflect the current year operations of the School Board.

Condition: Upon auditing long-term liability balances at year end, it was determined the School Board had opened a new bank account but did not record it in the School Board's general ledger. The original cash escrow deposit of capital lease proceeds was not reflected in the general ledger, nor were the current year disbursements made for capital-related expenditures. Bank reconciliations were not performed for the bank account, and the bank account was not identified as a public deposit.

Context: The balance in the Bank of America Performance Bond Escrow Account at year end was confirmed to be \$1,039,000. Supporting documentation was viewed for related capital asset and accounts payable activity, including \$1,260,000 of capital lease proceeds, \$550,000 of capital outlay expenditures, and \$328,000 of accounts payable.

Cause: There was lack of due diligence and review to ensure items noted above were accurately recorded. Additionally, controls were not properly in place to ensure the proper reconciliation and recording of transactions for the identified bank account.

Effect: Material audit adjustments were made to record the cash balance and accounts payable balance at year end, as well as the capital outlay expenditures.

Recommendation: We recommend all bank accounts be identified as public deposits, communicated to the County Treasurer and reconciled. We also recommend the School Board properly identify and record all transactions in the general ledger as they occur.

Corrective Action Taken or Planned:

This has been corrected as all transactions of this account were properly recorded within the general ledger and the associated bank account was closed during the current year, as the remaining capital lease proceeds were expended.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2017

Identifying Number: 2016-003: Segregation of Duties over School Board Payroll and Accounts Payable

Audit Finding:

Criteria: Duties related to significant accounting processes, including payroll and accounts payable, should be segregated to the fullest extent, to avoid the risk of fraudulent activity, errors, and allow for continuity in the event of an unexpected and/or untimely absence of an employee involved in the process.

Condition: In auditing the internal control over the School Board's payroll and accounts payable systems, it was determined each employee within the Finance Department is able to access and update the employee master file, as well as input time sheets into the system, and process payroll. Each employee also has access to update the vendor master file, create purchase orders, and process accounts payable.

Context: All users involved in the School Board's accounting processes have access to all elements of the payroll and accounts payable modules.

Cause: Additional rights were granted to employees in an effort to cross-train and provide backup in the event of employee absence. Rather than granting specific rights to individuals, each employee was granted all rights within the module.

Effect: The potential effect of this lack of segregation of duties over these functions could allow for errors and defalcations within the payroll and accounts payable cycles. Furthermore, the lack of segregation of duties creates an environment in which there is more potential for human error, which could go undetected.

Recommendation: Employee user access to the payroll and accounts payable modules should be reviewed, with access restricted to only those modules necessary to perform assigned functions. Due to the inherent nature of the transactions and the significant dollar amounts involved, payroll and accounts payable are likely areas for errors and defalcations. Better segregation of duties will enhance controls to detect any such errors, fraud or irregularities and provide for much greater safeguarding of assets.

Corrective Action Taken or Planned:

Policies and procedures were reviewed in an effort to reduce the number of employees with access to the employee and vendor master files.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2017

Identifying Number: 2016-004: Social Services Payroll

Audit Finding:

Criteria: Proper internal controls should be established for significant accounting processes, including payroll, to avoid potential fraudulent activity and errors with the Orange County Department of Social Services (Department). Internal controls should include maintaining complete, accurate, and up to date personnel files for all employees, including approved Personnel Action Forms documenting any payroll changes. Proper support should be maintained for hours worked, including time cards for both regular and on-call hours. Proper communication and segregation of duties regarding the monitoring and management of employee time should exist and be maintained. Employee pay rates should be reviewed regularly to ensure accuracy.

Condition: Through December 2015, time cards were not maintained for Department employees working regular hours and were sporadically maintained for employees working on-call hours. Personnel files were not maintained for some employees and some personnel files were not current during the period under audit. Personnel Action Forms were not completed and maintained for payroll changes. Time and attendance records for employees were kept manually and not consistently completed and maintained. There was a lack of communication between the Assistant Director and Supervisors in the monitoring and management of employee time, attendance, and leave. Beginning in January 2016, personnel files and the processing of payroll was transferred to the appropriate County departments. It should be noted the above conditions were perpetrated under the direction of the prior Director of Social Services. Beginning July 31, 2015, a new Director was hired who has taken significant steps to remedy the above concerns and continues to implement policies and procedures to ensure adequate controls be implemented and maintained.

Context: Of 25 employees tested, six employees were paid at incorrect rates. Supporting payroll records could not be found for the July 2015 payroll. Supporting time cards were not maintained for multiple employees and personnel files were not maintained adequately.

Cause: There was lack of due diligence and review to ensure items noted above were accurately recorded and supported by underlying records.

Effect: The potential effect of the lack of recordkeeping and monitoring over these functions could allow for errors and defalcations within the payroll process. Furthermore, the lack of recordkeeping and monitoring creates an environment in which there is more potential for human error, which could go undetected. There were known instances as described above in which employees were paid incorrect amounts due to inaccurate rates being used to calculate employee gross pay.

Recommendation: We recommend creating and following formal policies and procedures to ensure proper recordkeeping and monitoring of the payroll function. We recommend communications be made regarding oversight responsibilities to ensure the proper management of employee time and attendance.

Corrective Action Taken or Planned:

All findings have been remedied.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2017

Identifying Number: 2016-005: Social Services Case Records**Audit Finding:**

Criteria: The accurate maintenance of case records is essential to the operations and compliance of the Orange County Department of Social Services (Department). Maintenance of client case records should follow proper internal control procedures to prevent fraud or error, including review by Supervisors. There should be proper accountability regarding responsibility for cases. Caseloads should be reasonable, allocated equitably, and allow workers sufficient time to adequately complete their duties. Unit meetings and individual case staffing sessions should occur regularly. Open referrals should be addressed on a timely basis. Adequate coverage and assignment of referrals should be granted for workers when away. Each case should be adequately documented to ensure each case record is up to date.

Condition: Through mid-fiscal year, case records were not routinely reviewed by Supervisors. For non-VIEW related child cases, it was noted such cases were managed by two Department employees sharing the same room without specific assignment. This created an accountability risk as the segregation of duties between the Department employees was unclear. Subsequent to year end, this unit was restructured. Previously, the service Supervisor carried a caseload. Due to this caseload burden, there was insufficient time for the Supervisor to provide scheduled supervision or conduct unit meetings, and neither regular unit meetings nor individual case staffing sessions were occurring. In addition, the caseload burden for staff was noted to be overwhelming and inequitably distributed, preventing staff from adequately servicing each case. A new organizational chart was implemented mid-fiscal year to properly distribute case loads and regular meetings are now being held. Through mid-fiscal year, case referrals persisted as open without timely resolution throughout the year. There was inadequate coverage granted for workers when away, resulting in lack of timely assignment of referrals. The Department consistently failed to maintain adequate documentation of case records in Oasis. Efforts have been made throughout the fiscal year to update Oasis files. It should be noted the above conditions were perpetrated under the direction of the prior Director of Social Services. Beginning July 31, 2015, a new Director was hired who has taken significant steps to remedy the above concerns and continues to implement policies and procedures to ensure compliance with related requirements.

Context: Based on inquiries and internal control walkthroughs performed, the above condition appears pervasive throughout all case records.

Cause: There was lack of due diligence and review to ensure items noted above were accurately recorded and documented.

Effect: Inadequate supervisory review, lack of clear delegation of responsibility, overwhelming and inequitable caseloads, lack of individual and unit meetings, untimely resolution and assignment of open referrals, and lack of adequate recordkeeping for case records results in the potential for error, fraud, or noncompliance with regulations, which could potentially remain undetected.

Recommendation: We recommend evaluating the staffing needs of the Department to ensure caseloads are reasonable, equitably distributed, and that each case can be properly managed and supervised. Supervisors should engage in periodic review of case records. Such case records should be complete and up to date. There should be a clear assignment of responsibility for all cases. Unit and individual case staffing sessions should occur on a regular basis. Open referrals should be resolved on a timely basis. A formal process should be put in place to address immediate referral needs as they occur when the assigned worker is away. Documentation for all case records should be current and complete.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2017

Identifying Number: 2016-005: Social Services Case Records (Continued)**Audit Finding:** (Continued)**Corrective Action Taken or Planned:**

The Department is recruiting to adequately staff the Family Services Unit in order to implement the recommendations. The Family Services Unit is now having regular staff meetings.

Identifying Number: 2016-006: Special Welfare**Audit Finding:**

Criteria: Internal controls over the administration of the Special Welfare program should be maintained to ensure compliance with program requirements. The requirements of the program include the following: Special Welfare funds should not be commingled with any other funds or accounts of the locality; all accounts with sustained balances should be interest bearing; Deposits should be made on a timely basis the same day funds are collected; adequate supporting documentation is to be maintained for all deposits; and withdrawals should be made from each child's account to reimburse the County for the cost of care such as daycare and boarding.

Condition: The Orange County Department of Social Services (Department) did not maintain adequate internal controls over the administration of Special Welfare funds. The lack of internal controls resulted in numerous compliance issues. Throughout the fiscal year, funds were not kept in a separate account as required, and were commingled with Michael's Gift funds. The Special Welfare accounts were maintained in non-interest bearing accounts and, therefore, no interest was allocated to the children as required, even though many had large balances throughout the year. In the beginning of the fiscal year, deposits were made only once or twice per month rather than daily and were not made on a timely basis. Documentation for deposits was handwritten and inadequate to support the amount deposited. Remittance stubs from the U.S. Department of the Treasury were not kept. Instead of reimbursing the County monthly from each child's account for the cost of that child's care, balances were allowed to accumulate over a period of years. This resulted in large balances to be paid out when the child reached 18 years of age. Although the practice at the Department is to now reimburse such balances to the U.S. Department of the Treasury, some balances were improperly paid to the child. It should be noted the above conditions were perpetrated under the direction of the prior Director of Social Services. Beginning July 31, 2015, a new Director was hired who has taken significant steps to remedy the above concerns and continues to implement policies and procedures to ensure compliance with related requirements.

Context: Based on inquiries and internal control walkthroughs performed, the above conditions appear pervasive throughout all special welfare accounts. Of the three children with balances during the year, all three balances were allowed to accumulate without properly reimbursing the County for the cost of care. Upon aging out of the program at age 18 during the year, \$30,000 was reimbursed to the U.S. Department of the Treasury for two participants, and \$5,000 was improperly reimbursed to a third participant.

Cause: There was lack of due diligence and review to ensure items noted above were accurately recorded, documented and in compliance with requirements of the Special Welfare Program.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2017

Identifying Number: 2016-006: Special Welfare

Audit Finding: (Continued)

Effect: Lack of proper record keeping and adequate supporting documentation for such deposits and withdrawals results in the potential for error, fraud, or noncompliance with regulations to remain undetected.

Recommendation: We recommend holding such funds in separate accounts as required. In order to be compliant with regulations, accounts should be interest bearing and such interest should be allocated to each child's balance proportionally. Deposits should be made timely on a daily basis. Adequate supporting documentation should be maintained for all deposits and withdrawals. We recommend additional supervisory review to ensure amounts are reimbursed to the County as required rather than accumulating or being paid directly to the child.

Corrective Action Taken or Planned:

All findings have been remedied.

Identifying Number: 2016-007: Proper Recognition of Grant Revenue

Audit Finding:

Criteria: Grant revenue related to reimbursement based grants should be recognized in the same period in which the eligible expenditures have been incurred and at which time all applicable eligibility requirements have been met.

Condition: During the course of our audit, it was noted the School Board failed to record revenue in the current fiscal year related to current fiscal year expenditures. Grant revenue was recorded on a cash basis and, therefore, was originally recorded as fiscal year 2017 grant revenue.

Context: Upon obtaining the original Schedule of Expenditures of Federal Awards (Schedule) provided, the Schedule was agreed to federal revenues and federal expenditures recorded in the general ledger in order to identify whether items were properly recorded. Reimbursement requests were examined to ensure proper cutoff was achieved and amounts recorded reflected activity of the current fiscal year. As a result of testing, an audit adjustment was made to correct \$126,000 of unrecorded USDA donated food which must be reported as federal expenditures. Audit adjustments were made to properly record federal grant revenue and the related amounts due from other governments which were initially unrecorded, including \$130,000 for Medicaid, \$182,000 for Title I Part A, \$121,000 for Title VI-B Preschool, \$41,000 for Early Head Start, \$32,000 for Title II, and \$10,000 for Title III.

Cause: There was a lack of supervisory review of year end accrual entries which resulted in improper cutoff of recording amounts due from other governments.

Effect: As a result, audit adjustments were required to properly record amounts due from other governments and federal grant revenues.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2017

Identifying Number: 2016-007: Proper Recognition of Grant Revenue (Continued)

Audit Finding: (Continued)

Recommendation: We recommend the School Board implement procedures to ensure all amounts due from other governments and federal grant revenues are properly recorded and proper cutoff is achieved. We recommend procedures be implemented to facilitate additional communications between the Finance Department and Grant Managers regarding the proper recording of grant revenues based on reimbursement requests.

Corrective Action Taken or Planned:

Changes were implemented to record grant revenue in the correct accounting period.

Identifying Number: 2016-008: Bank Accounts Not Recognized as Public Funds by Qualified Public Depository

Audit Finding:

In conjunction with our audit in accordance with the *Specifications for Audits of Counties, Cities, and Towns*, issued by the APA of the Commonwealth of Virginia, we performed procedures to ensure that all bank accounts held by the County, including the Component Units, are identified as public deposits. Per Section 2.2-4407 of the *Code of Virginia*, all public deposits are required to be held in a qualified public depository in accordance with the Virginia Security for Public Deposits Act. Treasurers must ensure the qualified depository identifies the account(s) as public deposits.

However, in performing procedures to ascertain that all accounts of the County, including the Component Units, are included in qualified public depositories, and have properly been identified by the depository as “public funds,” we noted that one bank account held by the County and one bank account held by the School Board were not identified as such.

We recommend action be taken to correct this noncompliance.

Corrective Action Taken or Planned:

Bank accounts were closed upon maturity or funds were transferred to a qualified public depository in accordance with the Virginia Security for Public Deposits Act.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2017

Identifying Number: 2016-009: Compliance with Unclaimed Property**Audit Finding:**

The *Uniform Disposition of Unclaimed Property Act* sets forth procedures for unclaimed or abandoned property. For any government, all intangible property held for the owner that remains unclaimed for more than one year is presumed abandoned. Unclaimed property may consist of outstanding checks, utility deposits, tax refunds, unpaid wages, and any other tangible or intangible property. The *Uniform Disposition of Unclaimed Property Act* requires local governments to file an annual report with the State Treasurer listing all unclaimed property, the deadline for which is November 1st of each year for the preceding year ended June 30th. The unclaimed property report filed for the County and School Board was incomplete and did not contain all checks outstanding for greater than one year. Additionally, the report was not filed by the November 1st deadline.

We recommend all outstanding checklists be reviewed to identify all checks outstanding for greater than one year in order to ensure timely and complete reporting of unclaimed property.

Corrective Action Taken or Planned:

The auditee agrees with the recommendations and has taken the necessary steps to prevent a recurrence.

Identifying Number: 2016-010: Social Services LASER Reconciliation to the General Ledger Not Completed**Audit Finding:**

Per the *Specifications for Audits of Counties, Cities and Towns*, issued by the APA of the Commonwealth of Virginia, Chapters 3-15 Social Services section entitled *General Ledger Reconciliation*, “amounts reported in LASER must be reconciled monthly to be in compliance with Section 3.60, LASER Expenditure Reconciliation and Certification, of the *LDSS Finance Guidelines Manual for Local Departments of Social Service*.” During the fiscal year 2016 audit, it was determined the monthly LASER amounts were not being reconciled to the General Ledger.

We recommend the County implement procedures to be in compliance with the specifications of the Auditor of Public Accounts.

Corrective Action Taken or Planned:

The Department of Social Services consistently reconciles the financial system (Thomas Brothers) to LASER each month. Unfortunately, due to staffing limitations, we have not been able to consistently reconcile LASER to the County’s financial system. The Department is aware of the requirement to reconcile both systems to LASER and will perform the additional reconciliation as soon as staffing allows. The Department has a part-time position that is budgeted to go full-time after the first of the calendar year. At that point (if not sooner), the Department will have adequate staffing to perform the second monthly reconciliation.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2017

Identifying Number: 2016-011: Compliance with Special Welfare Funds**Audit Finding:**

Numerous requirements related to the administration of Special Welfare Funds are noted in the *Specifications for Audits of Counties, Cities and Towns*, issued by the APA of the Commonwealth of Virginia. In performing the audit, a lack of compliance was noted with many of these requirements (see finding 2016-006 for more detail on the compliance issues noted).

We recommend policies and procedures be implemented to ensure compliance with the administration of the Special Welfare Program. We recommend further review of the program and the related requirements, as well as additional oversight be performed by Management.

Corrective Action Taken or Planned:

All findings have been remedied.

Identifying Number: 2016-012: Lack of Business Continuity Plan**Audit Finding:**

Per the *Specifications for Audits of Counties, Cities and Towns*, Chapter 3-15 Social Services section entitled *Continuity of Operations*, "Each agency should have a documented Business Continuity Plan." Such as plan should be updated annually, establish continuity of operations procedures to address three types of disruptions, including loss of access to a facility (as in a fire), loss of services due to a reduced workforce (as in pandemic influenza), and loss of services due to equipment or systems failure (as in information technology systems failure). The plan should also prioritize recovery tasks and assign responsibilities and detail procedures to implement actions to continue essential functions within the recovery time objectives to maintain essential functions for up to 30 days. The Orange County Department of Social Services lacked a documented Business Continuity Plan as described above.

We recommend the agency develop such a plan to be in compliance with the specifications of the Auditor of Public Accounts, in an effort to properly address potential disaster recovery situations and maintain continuity of operations.

Corrective Action Taken or Planned:

We concur with the finding and are still working with County staff to fully implement the recommendation.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2017

Identifying Number: 2016-013: Untimely Removal of Terminated User Access Privileges**Audit Finding:**

According to the *Specifications for Audits of Counties, Cities and Towns*, Chapter 3-15 Social Services section entitled *Terminated Users*, “When a user leaves the LDSS (Local Department of Social Services), their access privileges must be immediately removed from all systems they were authorized to use,” which is defined as “within three working days of employment termination.” In testing the removal of access privileges of terminated employees, one employee who was terminated in November 2015 continued to have system access until May 2016. No termination and separation checklist was prepared to document the removal of the access rights. Additionally, no formal listing of terminated employees was able to be generated.

We recommend a termination and separation checklist be completed within three business days of each employee’s termination in order to ensure compliance with this requirement. A formal listing of terminated employees should be retained to verify all employees have been removed as required.

Corrective Action Taken or Planned:

The Department of Social Services’ local security officer / IT coordinator left the Department in August 2016 and the position was left vacant due to budget constraints. The Office Manager assumed this responsibility and does terminate systems access promptly 100% of the time; however, due to staffing limitations and an unusually high turnover rate in recent years, there has occasionally been a delay in completing the form. The Department has a part-time position that is budgeted to go full-time after the first of the calendar year. At that point (if not sooner), the Department will have adequate staffing to promptly complete the separation form.

Identifying Number: 2016-014: Information System Security Controls**Audit Finding:**

In order to comply with the *Specifications for Audits of Counties, Cities and Towns*, Chapter 3-15 Social Services, the Local Security Officer at the Department of Social Services should be annually reviewing all employees’ access to each application with employees’ supervisors to ensure the access is properly aligned with job responsibilities, in addition to approval of initial access. The Department should also have documentation indicating employees and volunteers have acknowledged reading and understanding the VDSS Acceptable Use Policy. In testing compliance with information systems security controls, it was noted documentation of such forms and review is haphazardly completed and maintained. Of the forms tested, we noted employees with missing initial access request forms, missing annual IT access reviews, and missing annual acceptable use policy acknowledgements.

We recommend initiating formal procedures to review initial access request forms, annual IT access, and acceptable use policy acknowledgements on a regular basis to ensure compliance with state requirements.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2017

Identifying Number: 2016-014: Information System Security Controls (Continued)**Corrective Action Taken or Planned:**

- Initial access forms are completed consistently for all new hires. The initial access forms that were missing were for staff that joined the agency in past years.
- The annual system access review was completed for all employees in 2015 but, due to limited staffing, it was only partially completed in 2016. This year's user access review was completed in November 2017 for all employees and will be completed annually for all staff going forward.
- Beginning in 2017, Virginia Department of Social Services (VDSS) changed the requirements for acceptable use acknowledgements. The acknowledgements are now completed and submitted directly to the VDSS main office as part of each employee's mandatory online security training. Failure to complete the security training and submit the acknowledgement results in automatic suspension of the user's network and system access. VDSS will not reinstate the user's access until their training and acknowledgement are complete. Per VDSS, beginning in 2017, local Department of Social Services offices are no longer required to obtain the annual acceptable use agreements or security training certificates.

Identifying Number: 2016-015: Schedule of Federal Expenditures of Federal Awards**Audit Finding:**

Criteria: *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* at 2 CFR 200 (Uniform Guidance) identifies the auditee's responsibilities for the compliance audit engagement. The Uniform Guidance states the auditee must prepare a Schedule of Expenditures of Federal Awards (Schedule) for the period covered by the auditee's financial statements, which must include the total federal awards expended as determined by 2 CFR 200.502. The Schedule provided should be final and free of material misstatements.

Condition: It was noted the School Board excluded federal expenditures from its Schedule received from various federal agencies, including the Department of Social Services and the Department of Education.

Context: Upon obtaining the original Schedule provided, the Schedule was agreed to federal revenues and federal expenditures recorded in the general ledger in order to identify whether items were properly recorded. Upon further investigation, it was determined the Schedule provided for audit was based on federal grant revenues received in the current year, instead of current year federal grant expenditures. Approximately \$126,000 of USDA donated food revenue and expenditures were not recorded on the general ledger or reported on the Schedule. Audit adjustments were made to properly record federal grant revenue and the related amounts due from other governments which were initially unrecorded, including \$130,000 for Medicaid, \$182,000 for Title I Part A, \$121,000 for Title VI-B Preschool, \$41,000 for Early Head Start, \$32,000 for Title II, and \$10,000 for Title III. The Schedule was adjusted to properly reflect current year federal grant expenditures.

Cause: There was a lack of supervisory review of year end accrual entries which resulted in improper cutoff of recording amounts due from other governments. There was a lack of review of the Schedule, which is necessary to ensure the Schedule is complete, accurate, and reflects appropriate cutoff.

Effect: As a result of the omission of the expenditures, the Schedule was misstated for the year ended June 30, 2016. The improper reporting of expenditures can potentially lead to a decrease in funding received or the discontinuance of federal awards in the future.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2017

Identifying Number: 2016-015: Schedule of Federal Expenditures of Federal Awards (Continued)

Audit Finding: (Continued)

Recommendation: We recommend the School Board perform the necessary processes and procedures to ensure all federal expenditures incurred are properly reported on its Schedule.

Corrective Action Taken or Planned:

Policies and procedures were implemented to attempt to ensure all federal expenditures incurred were properly reported on its Schedule.