

COUNTY OF ORANGE, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2012

PREPARED BY:
FINANCE DEPARTMENT
ORANGE, VIRGINIA

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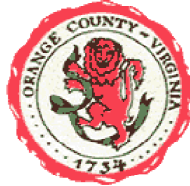
INTRODUCTORY SECTION

ORANGE COUNTY, VIRGINIA

Office of the County Administrator

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COUNTY ADMINISTRATOR

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November 29, 2012

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

The Code of Virginia (§ 15.2-2511) requires that all localities publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2012.

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

Brown, Edwards & Co., L.L.P., a firm of licensed certified public accountants, has audited and issued an unqualified "clean" opinion on the financial statements of Orange County for the fiscal year ended June 30, 2012. The Independent Auditors' report is presented as the first component of the financial section of this report.

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

PROFILE OF THE GOVERNMENT

Orange County, Virginia, is a rural, but developing county with a landscape dominated by gently rolling hillsides, spectacular views of the beautiful Blue Ridge Mountains, the Rapidan River and several of Virginia's most significant historic areas. Located in Virginia's north-central Piedmont region, the County is 72 miles northwest of Richmond, 55 miles southwest of Washington, D.C. and 25 miles northeast of Charlottesville. The County consists of 355 square miles of land that ranges in elevation from 175 feet above sea level along the Rapidan River to 1,200 feet above sea level in the mountains and has an estimated population of 34,616. 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 1,517) and Orange (population 4,778), which are the main centers of commercial and industrial activity. A planned residential community known as the Lake of the Woods is also located within the County and offers a private residential setting with recreation and open space areas.



Orange County Courthouse

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

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

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

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

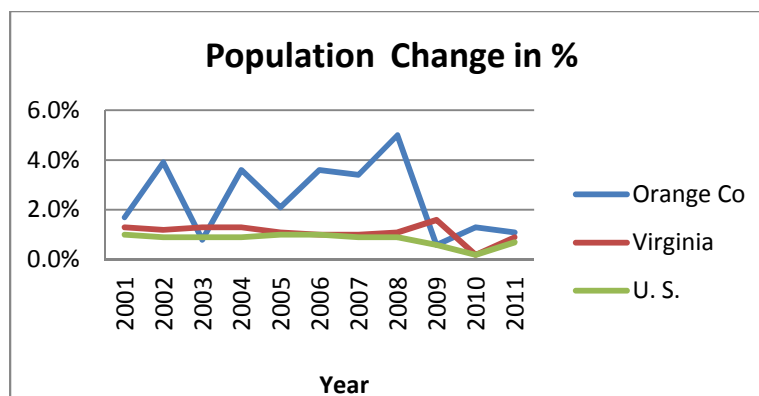
Orange County is financially accountable for a legally separate school district, which is reported separately within the financial statements as a component unit. The Orange County Public Schools is the single largest service provided by the County. The School Board is composed of five elected members from each of the election districts. The School Board appoints a Superintendent to administer the policies of the School Board. The school system is comprised of one high school, two middle schools, and six elementary schools. The average daily membership for the purpose of establishing the amounts of state school aid for school year 2011-2012 was 5,020. This is a decrease of seven students from the prior year. The mission statement adopted by the Orange County Public Schools is: *"Improving the future by empowering our students to value learning, achieve their full potential, and pursue their dreams."*

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

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

Economic Conditions and Outlook

The County continued to feel the effects of the national recession, but continued to show signs of a slow recovery in Fiscal Year 2012. A major driver of the County's economy over the last decade has been population growth with many new residents moving in to enjoy the County's more rural and picturesque location and proximity to the markets of Richmond, Charlottesville, Culpeper, and the Washington D.C metropolitan area. As indicated in the following chart, Orange County's population growth over the last several years has been well above the state and national rates and growth in the commercial and service sectors of the economy accompanied those new residents. As the general economy has slowed, so has the in-migration and Orange County's population growth now closely mirrors that of the state.



Orange County was pleased to announce the groundbreaking of a new farm facility by Crisper Products, LLC on May 8, 2012. The company produces food products using hydroponic, aquaponic and aquaculture systems. These indoor systems are designed to deliver safer, healthier food to market more quickly than traditional methods. Products such as romaine lettuce, cherry tomatoes, freshwater prawns, and sweet basil will be grown and harvested there. The facility will include greenhouses and a packaging building.



Crisper Products' Groundbreaking

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



Greenhouses

The Orange Workforce Center was established to assist job seekers and employers and works with over 200 citizens per month. Unemployment rates in the County have risen due to the recession and the County continues to monitor activity in its workforce development center. Information provided by the Virginia Employment Commission indicates a County unemployment rate at June 30, 2012, of 6.7%; somewhat higher than the state average 6.0% but below the national unemployment rate of 8.4% at the same time.

According to the Bureau of Economic Analysis, per capita personal income rose by 4% over the previous year compared to the state-wide increase of 2.5%.

Sales tax revenue for the month of June was \$218,617 compared to \$211,098 the previous year, an increase of 3.5%. Although modest, these are indicators that the local economy may be slowly starting to recover.

The decline in real property values was dramatically illustrated in the County's 2012 general reassessment. The taxable assessed value of real property in the County decreased by 28% from the prior year as the full effect of the economic downturn was realized. Machinery and Tools assessed values went down by 29.6% as the overall value of those properties showed a serious decline and one local manufacturer closed its doors. Total property assessments, including all property types, declined by 25%. This decrease in values resulted in an adjustment to 2012 tax rates in order for the County to continue to provide the same level of service to its citizens. Although FY12 includes the first half of the real estate tax billing at the new rates, the majority of the new rates will be effective with billings during FY13.



Barboursville Winery

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

Major Initiatives



Locust Grove Middle School

The School Board and Board of Supervisors completed construction of the new \$36 million Locust Grove Middle School in time to open for the school year in FY12. The new school is designed for 1,200 students and the 49 acre site has been planned to accommodate other County park and recreation amenities, such as baseball and sports fields.

A major project to close and cap the County's existing landfill, including the construction of environmental mitigation facilities necessary to meet State Department of Environmental Quality requirements, began during FY12, and will be complete by December 31, 2012. A second landfill project is the construction of a new landfill cell which will begin accepting waste January 1, 2013. The new landfill cell will be developed on the same parcel adjacent to the closed landfill and will use newer technology to prevent soil and water contamination from runoff. This project includes construction of infrastructure to open the entire Landfill site and costs necessary to prepare a first cell for waste disposal activities. The County will eventually construct a total of five new cells on the parcel which is expected to handle the County's waste disposal needs until the year 2050. The County has accumulated the funds over the past several fiscal years to complete both the existing landfill closure project and the construction of the new landfill's cell #1 without the issuance of debt.

Landfill Project-Cell #1



New Airport Fuel Farm



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. A general aviation terminal building was constructed during the FY11 and the relocation of the fuel farm was completed during FY12. Federal and state grants are providing the majority of the financing for this and other future projects.

Tourism efforts continued to be strong in the year ending June 30, 2012. The department completed its new website in January, 2012 which has seen approximately 17,000 visitors to date with 77% of those being new. In addition, the website won the Advertising & Promotions: Interactive

Award from the Virginia Association of Convention and Visitors Bureaus in May. Tourism staff continued to provide support for many local tourism events such as the Montpelier Wine Festival, Trashy Ribs & Blues Festival, Edible Fest in Orange, The Blue & Gray in Orange, the Inaugural Liberty Ride, Wine, Wings and Wheels Festival, and the Montpelier Hunt Races.

The Orange County Visitors Center has logged 5,154 visitors as of September 30, 2012, which is a 6.7% increase over 2011. During the year, the Visitors Center acquired ten new volunteers for a total of forty-eight. With the assistance of its volunteers, the Visitors Center manned information tables at seven area events including the Big Damn Bike Show, the Orange County Fair, and the Somerset Steam & Gas Show. Plans are now underway to develop a new Visitors Guide which will be available on the Website with the addition of an interactive map.



Montpelier Hunt Races

Relevant Financial Policies

The Board of Supervisors continued its fund balance policy which sets the minimum level of acceptable unreserved General Fund balance for a fiscal stability reserve at 15% of the combined actual operating expenditures of the General Fund and School Operating Fund (net of inter-fund transfers). In addition, the Board's policy states that unassigned general fund balance should not exceed 18%. At June 30, 2012, unassigned General Fund balance remained steady at 23.35% of expenditures as defined in the policy. Subsequent to June 30, 2012, carry-forward requests were approved and additional fund balance amounts assigned of \$2,064,663 bringing the percentage to 20.6% of operating expenditures for FY12.

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, 2011. This was the sixth consecutive year the County has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily

readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

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

Respectfully submitted,



Julie G. Summs
County Administrator

Certificate of Achievement for Excellence in Financial Reporting

Presented to

**County of Orange
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

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



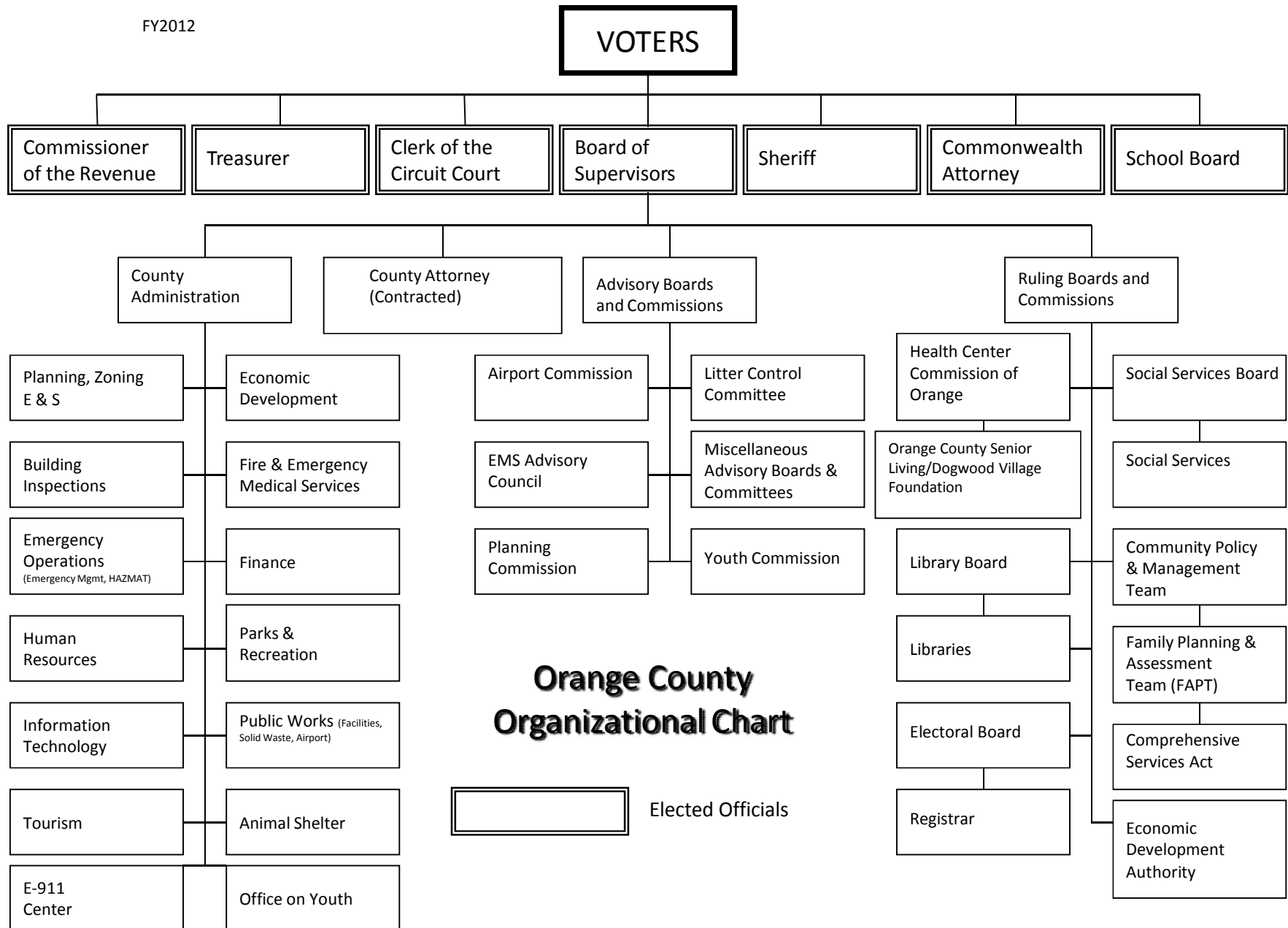
Linda C. Danison

President

Jeffrey R. Ener

Executive Director

FY2012



COUNTY OF ORANGE, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS
June 30, 2012

BOARD OF SUPERVISORS

S. Teel Goodwin, Chairman
Lee Frame, Vice-Chairman

Shannon C. Abbs

Grover C. Wilson, Jr.

James K. White

SCHOOL BOARD

Jerry Bledsoe, Chairman
Judy P. Carter, Vice Chairman

Sherrie Page

Lou Thompson

Jim Hopkins

SOCIAL SERVICES BOARD

Nora Coleman, Chairman
Pat Nabors, Vice-Chairman

Donald Lovelace

Rose Bowman

JoAnn Herndon

OTHER OFFICIALS

Judge of the Circuit Court
Clerk of the Circuit Court
Judges of the General District Court

Judges of the 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
Finance Director
School Board Finance Director

Daniel R. Bouton
Teresa T. Carroll
Edward K. Carpenter, Robert Downer, Jr.
Roger L. Morton and William G. Barkley
Frank Somerville and Dwight Johnson
Edward Berry, Richard E. Moore
Sharon Pandak
Diana Wheeler
Donna H. Chewning
Phyllis M. Yancey
Mark A. Amos
Dr. Robert Grimesey, Jr.
Laura Byram
Robert D. Lingo
Julie G. Summs
Glenda Bradley
Matt Benefield

INDEPENDENT AUDITORS

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

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
County of Orange, Virginia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Orange, Virginia (the "County"), as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and *Specifications for Audits of Counties, Cities, and Towns* and *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 of Orange, Virginia, as of June 30, 2012, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2012, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budget to actual schedules, and schedule of funding progress, as listed on the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
November 29, 2012

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, 2012. 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 v of this report.

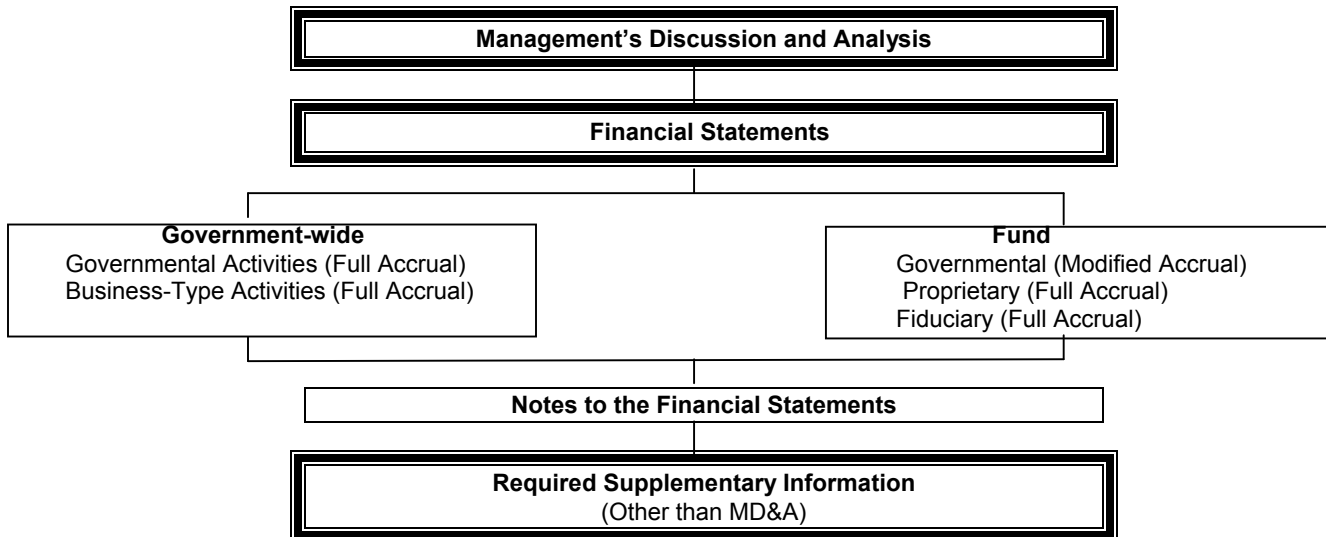
Financial Highlights

- The assets of the County of Orange (primary government) exceeded its liabilities at the close of the most recent fiscal year by \$37,530,697 (*net assets*). Of this amount \$22,598,567 resulted from governmental activities and \$14,932,130 from business-type activities.
- On a government-wide basis for governmental activities, the County had expenses net of program revenues of \$46,765,881 which were \$6,407,087 more than the general revenues and transfers of \$40,358,794.
- On a government-wide basis for business-type activities, the County had expenses net of program revenues of \$1,591,017. A total of \$2,207,086 was added to net assets mainly due to transfers to the Landfill fund for future closure costs and the landfill expansion.
- At June 30, 2012, unassigned General Fund balance was \$17,583,447 or 23.35% of actual operating expenditures as defined by the County's fund balance policy. Total general fund balance decreased by \$118,438 from 2011. Actual General Fund revenues exceed budget estimates by \$845,415 and actual General Fund expenditures were less than budget estimates by \$3,245,044. It should be noted, that the FY13 budget includes an appropriation of \$1,643,238 in fund balance and part of the remaining fund balance will be carried forward for ongoing projects in FY13.
- Construction of the new Locust Grove Middle School was completed in August, 2011.

Using the Comprehensive Annual Financial Report

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

Components of the Financial Section



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

Government-wide Financial Statements

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

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

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

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

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

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

Fund Financial Statements

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

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

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

Notes to the Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning Orange County's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found 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 on pensions. Combining and individual fund statements and schedules can be in the other supplementary information section of this report.

Government-wide Financial Analysis

The following table presents the condensed Statement of Net Assets:

Orange County, VA Summary Statement of Net Assets

	Primary Government				Component Units	
	Governmental Activities		Business-type Activities			
	2012	2011	2012	2011	2012	2011
Current and Other Assets	\$ 44,464,004	\$ 49,008,105	\$ 6,493,463	\$ 6,914,022	\$ 6,371,493	\$ 7,121,466
Capital Assets (net)	75,421,469	83,969,918	12,913,544	11,649,754	37,072,450	27,627,452
Total Assets	119,885,473	132,978,023	19,407,007	18,563,776	43,443,943	34,748,918
Long-term Liabilities	94,116,979	99,424,318	4,086,259	3,970,075	4,504,383	2,764,991
Other Liabilities	3,169,927	4,548,051	388,618	277,640	3,974,840	5,077,122
Total Liabilities	97,286,906	103,972,369	4,474,877	4,247,715	8,479,223	7,842,113
Net Assets:						
Invested in Capital Assets, Net of Related Debt	2,422,835	9,715,337	12,913,544	11,649,754	35,790,389	27,627,452
Unrestricted	20,175,732	19,290,317	2,018,586	2,666,307	(2,271,695)	(720,647)
Total Net Assets	\$ 22,598,567	\$ 29,005,654	\$14,932,130	\$14,316,061	\$ 33,518,694	\$ 26,906,805

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

Orange County, VA
Summary Statement of Changes in Net Assets

	Primary Government				Component Units	
	Governmental Activities		Business-type Activities			
	2012	2011	2012	2011	2012	2011
Revenues:						
Program Revenues						
Charges for Services	\$ 3,267,103	\$ 3,835,445	\$ 803,882	\$ 726,675	\$ 1,002,273	\$ 1,063,327
Operating Grants & Contributions	5,836,506	7,393,931	9,296	11,568	26,973,741	26,893,591
Capital Grants & Contributions	-	47,546	605,634	1,144,325	-	-
General Revenues						
Real Estate & Personal Property Taxes	33,228,086	32,155,490	-	-	-	-
Other Taxes	5,798,454	5,693,705	-	-	-	-
Payments from County	-	-	-	-	17,830,661	18,892,676
Non-restricted Grants	2,948,932	2,945,313	-	-	-	-
Use of Property & Money	234,352	354,819	-	-	21,063	19,133
Miscellaneous	294,343	491,702	61,713	48,104	177,114	306,025
Total Revenues	51,607,776	52,917,951	1,480,525	1,930,672	46,004,852	47,174,752
Expenses:						
General Administration	3,147,031	3,568,522	-	-	21,271	44,711
Judicial Administration	1,591,338	1,496,249	-	-	-	-
Public Safety	9,801,548	9,755,361	-	-	-	-
Public Works	790,439	642,287	-	-	-	-
Health & Welfare	5,981,549	6,471,864	-	-	-	-
Education	28,150,265	19,494,387	-	-	37,925,666	44,879,378
Parks, Recreation, and Cultural	1,255,820	1,074,565	-	-	-	-
Community Development	1,027,386	1,013,298	-	-	-	-
Interest on Long-Term Debt	4,124,114	4,388,109	-	-	-	-
Airport	-	-	898,525	840,425	-	-
Landfill	-	-	2,111,304	3,347,359	-	-
Total Expenses	55,869,490	47,904,642	3,009,829	4,187,784	37,946,937	44,924,089
Excess (deficiency) before Transfers	(4,261,714)	5,013,309	(1,529,304)	(2,257,112)	8,057,915	2,250,663
Transfers In (Out)	(2,145,373)	(3,890,516)	2,145,373	3,890,516	-	-
Change in Net Assets	(6,407,087)	1,122,793	616,069	1,633,404	8,057,915	2,250,663
Net Assets, Beginning, as restated	29,005,654	27,882,861	14,316,061	12,682,657	26,906,805	24,656,142
Net Assets, Ending	\$ 22,598,567	\$ 29,005,654	\$ 14,932,130	\$ 14,316,061	\$ 34,964,720	\$ 26,906,805

The Primary Government's governmental net assets decreased by \$6,407,087 to \$22,598,567 from \$29,005,654. This decrease and the increase in the Component Units' net assets was due to the recording of the new middle school as a fixed asset and the removal of associated non-capital expenses from Construction in Progress. Unrestricted governmental net assets increased by \$885,415. Both assets and liabilities for governmental functions declined while assets and liabilities for business-type activities increased. This is partially due to the transfer of funds to the Landfill Fund from the General Fund for future landfill closure and expansion costs. There was also a significant amount of construction activity at the Airport related to the relocation of the fuel farm and the completion of several other projects. Funding for these projects is primarily from federal and state grants.

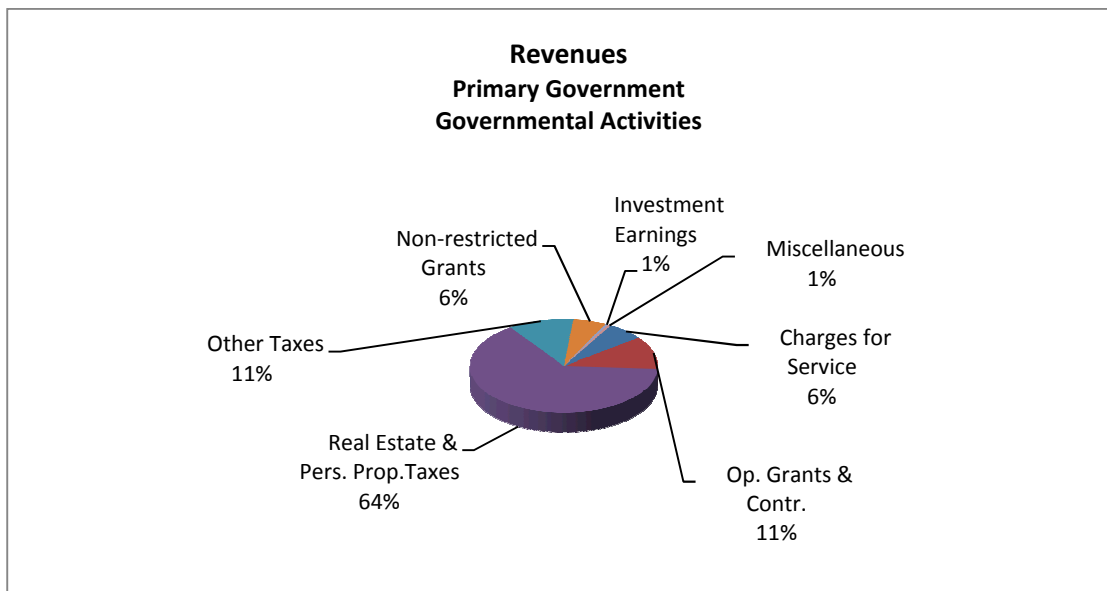
Revenues

For the fiscal year ended June 30, 2012, revenues generated by the Primary Government's governmental activities totaled \$51,607,776. General property taxes, the County's largest revenue source, were \$33,228,086. Included in this total are real and personal property levies, which are due on June and December 5th each year. The real estate tax rate for FY12 was \$0.49 per \$100 of assessed value, the same as the rate for FY11.

FY12 continues to reflect the changes in the Personal Property Tax Relief Act (PPTRA) that were approved by the General Assembly in 2005. This legislation capped the amount localities receive from the state. The new legislation established a fixed amount to be provided to localities for funding tax relief for vehicles valued at less than \$20,000. The new PPTRA became effective with the 2006 tax year and is based on the amount collected for 2004 taxes through December 2005. The total amount Orange County receives under the new program is \$2,763,073. This amount enabled the County to provide car tax relief of 44% up to the first \$20,000 in value for FY12.

The other local tax category includes sales tax, consumer utilities tax, occupancy tax, recordation tax, and food and beverage tax. This category of income reflects an overall increase of \$104,749 over the previous year. Sales tax collections are up 7.3% over the same period in the prior year, Utility Users and Communications Taxes are down 3.4%, and Meals Taxes are up by 9.3%. Recordation Taxes were down by \$2,074 or 0.54% due to the continued decline in real estate activity.

Program revenues are derived from the program itself and reduce the cost of the function to the County. This category includes user fees and operating and capital grant revenues. Total program revenues for governmental activities were \$9,103,609. Program revenues in the governmental funds include a "charges for services" category that totaled \$3,267,103 and includes charges for ambulance fees, recreation and childcare programs, and building permits. The proprietary fund generated program revenues of \$803,882 from user charges and \$614,930 in grant revenues.



Expenses

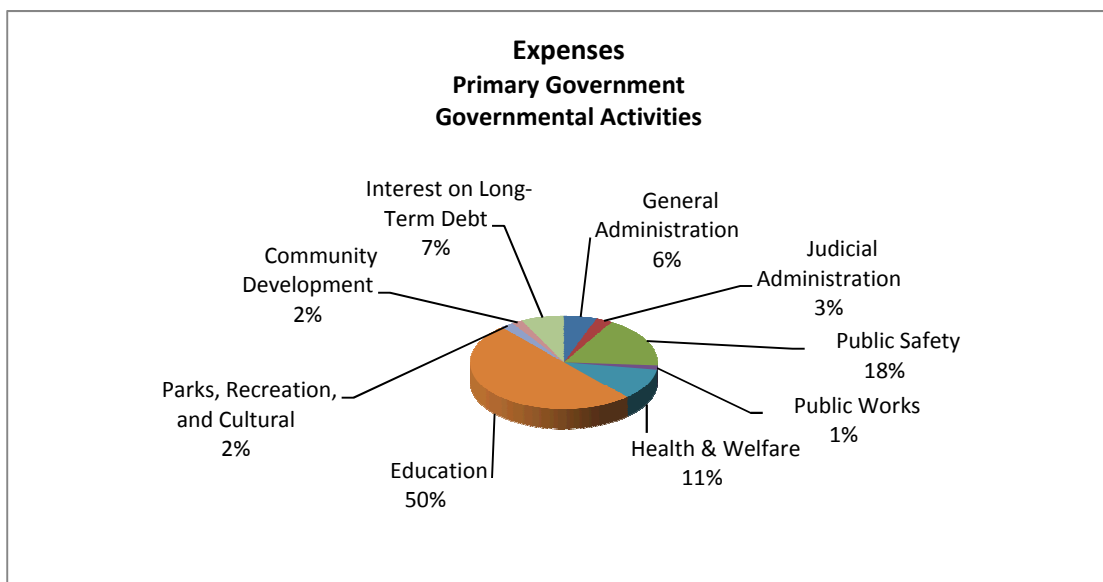
For the fiscal year ended June 30, 2012, expenses for governmental activities totaled \$55,869,490, an increase of \$7,964,848. Expenses include the cost of employee compensation, contributions to the school board, and interest on governmental debt and increased in almost every category except for General Administration, Health & Welfare, and Interest on Long-Term Debt.

Personnel expenses for FY12 included no salary adjustments due to budget constraints. Retirement contributions were 14.54% of the employees' salary. As of July 1, 2010, new hires who are not current members of VRS are required to contribute 5% of this amount through payroll deduction. Premiums for group life insurance coverage were .28% of annual salaries.

For the FY12 budget, the County was forced to refine and reduce operational expenses due to reductions in revenue projections. The county implemented expenditure reductions ranging from expenses involving travel, training and office supplies to reductions in force and renegotiated contracts for insurance and audit services. Additionally, the state continued to impose reductions to the aid to localities program. For FY12, Orange County's revenues were reduced by \$157,546 as part of this statewide reduction.

Education, by far, reflects the largest increase in expenses within the governmental activities because of the completion of the middle school construction capital project and associated expenses which were transferred to the School Board due to debt pay down during the project. Health and Welfare expenses reflect a decrease of \$490,315 largely due to a decrease in contributions for the CSA (Comprehensive Services Act) program and the closure of one of three county child care sites for FY12.

The County's Proprietary Funds reflect a total of \$3,009,829 in expenses compared to \$4,187,784 for FY11. The largest difference can be attributed to anticipate landfill closure and post-closure costs which were adjusted in FY11 for \$1,275,052 to more accurately reflect expected costs. Airport expenses also increased with activity levels due to a better marketing strategy. The increase was almost directly offset by an increase in revenue from fuel sales and hanger and tie-down rents.



Financial Analysis of the Government's Funds

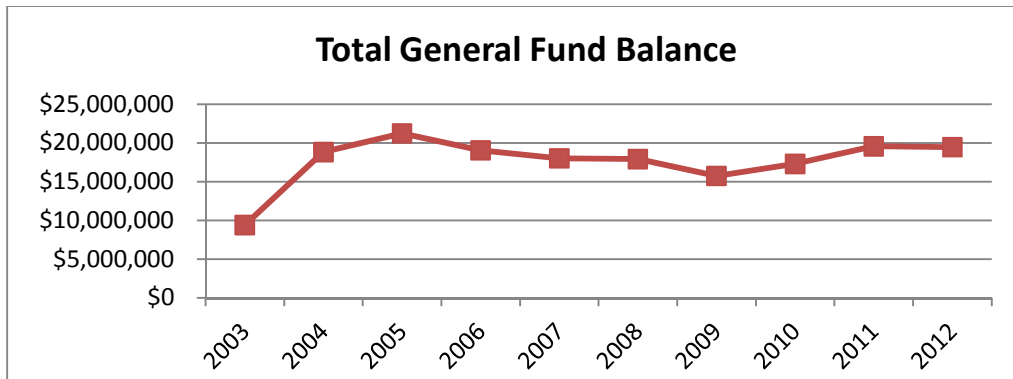
As noted earlier, the County of Orange uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

For the fiscal year ended June 30, 2012, the County's governmental funds reflect a combined fund balance of \$21,508,735, most of which is reserved for specific purposes such as capital outlay and debt service. This is a decrease of \$2,955,732 from FY11 which is due to the use of financing proceeds in the capital project funds and small use of fund balance in the General Fund. General Fund balance decreased by \$118,438, however this was much less than the budgeted appropriation of \$2,451,476. General Fund revenues came in \$845,415 higher than the amended budget and expenditures were \$3,245,044 less than budgeted appropriations. This variance is largely due to conservative budgeting practices and ongoing efforts by County departments and the School Board to limit expenditures as much as possible in light of the sluggish pace of economic recovery.

Fund Balance in the Virginia Public Assistance Fund increased by \$73,859 due to amounts due from the state and federal governments at June 30, 2012. Fund Balance in the Debt Service Fund returned to zero after carrying a negative fund balance in FY11 due to a pre-payment of interest. Fund Balances in both County and School capital project funds decreased due to the spend-down of financing proceeds and the on-going project expenses of each fund.

The School Operating Fund has not historically accumulated a separate fund balance; therefore general fund balance must be sufficient to cover unexpected cash flow needs and lagging revenue collections when necessary. In fiscal year FY11, the School Operating Fund reflected a negative ending fund balance of \$147,188. This occurred due to the late accrual of an invoice related to the middle school construction project and was largely offset during FY12.

In the General Fund, unassigned fund balance is \$17,583,447. The Board of Supervisors has established a fund balance policy which sets the minimum level of acceptable unreserved General Fund balance at 15% of the combined actual operating expenditures of the General Fund and School Operating Fund (net of interfund transfers). In addition, the Board's policy states that unassigned general fund balance should not exceed 18%. At June 30, 2012, unassigned General Fund balance held steady at 23.35% of expenditures as defined in the policy. Subsequent to June 30, 2012, carry-forward requests were approved and additional fund balance amounts assigned of \$2,064,663 bringing the percentage to 20.6% of operating expenditures for FY12.



General Fund Budgetary Highlights

Differences between the original operating budget and the final operating budget resulted in a net increase of \$2,179,545 in additional appropriations. Highlights of the budget amendments are as follows:

Schools Board carryover requests for ongoing projects	\$	887,241
General Fund carryover requests for ongoing projects	\$	699,962
Juvenile Detention Center contribution for annual true-up	\$	66,187
Additional E-911 overtime expenses	\$	64,000
Animal Shelter Donations	\$	56,793
Remaining FY11 ARRA Funds	\$	55,583
Clerk of Courts Technology Funds	\$	38,364
Pet Smart grant proceeds	\$	37,500
E-911 RSAF grant proceeds	\$	30,031
Parks & Recreation Donations (Gordonsville Pool)	\$	27,228
Homeless Shelter Donation	\$	22,000
Fire Programs revenue	\$	12,584
Additional Fire & EMS overtime	\$	11,850
DMV Sheriff's grant proceeds	\$	10,629

Capital Assets

The County of Orange's investment in capital assets for its governmental and business-type activities as of June 30, 2012, amounts to \$88,335,013 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and systems, improvements, machinery and equipment, harbor, and park facilities.

Orange County, VA Primary Government Change in Capital Assets			
	Restated Balance June 30, 2011	Net Increase/ (Decrease)	Balance June 30, 2012
Governmental Activities:			
Non-Depreciable Assets:			
Land	\$ 1,232,342	\$ -	\$ 1,232,342
Construction in Progress	80,790	(53,225)	27,565
School CIP Allocated to County	38,291,297	(38,291,297)	-
Other Capital Assets:			
Buildings & Other Improvements	17,910,141	90,086	18,000,227
School Buildings & Improvements	31,068,892	31,662,793	62,731,685
Furniture and Other Equipment	8,583,390	286,027	8,869,417
Less: Accumulated Depreciation	(13,196,933)	(2,242,834)	(15,439,767)
Business-type Activities:			
Non-Depreciable Assets:			
Land	1,328,971	172,782	1,901,314
Construction in Progress	2,185,835	(795,715)	990,559
Other Capital Assets:			
Buildings & Improvements	8,947,761	2,192,006	11,139,767
Furniture and Other Equipment	1,068,389	134,051	1,202,440
Less: Accumulated Depreciation	(1,881,202)	(439,334)	(2,320,536)
Net Capital Assets	\$ 95,619,673	\$ (7,284,660)	\$ 88,335,013

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

Long-Term Debt

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

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

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

The Primary Government's outstanding debt at June 30, 2012 is as follows:

General Obligation Bonds	
Series 2001	\$ 15,715,000
Series 2003	335,500
Series 2005	711,126
School Bond Series 2005D	9,946,458
General Obligation Bond Premiums	2,715,223
Virginia Public School Authority Bonds (VPSA)	
Series 1993 A	140,000
Series 1994 A	95,000
Series 1995 A	100,000
Series 2000 B	1,305,000
Series 2002	1,065,000
Series 2007 B	4,160,000
Series 2009 B	27,490,000
Lease Revenue Bonds	
Series 2007	28,775,000
Series 2007 Discount	(580,227)
Series 2007 Deferred Amount	(340,347)
Capital Leases	1,050,901
Landfill closure and post-closure care liability	4,027,000
Net OPEB Obligation	646,300
Compensated Absences	846,304
Grand Total	<u>\$ 98,203,238</u>

The School Board occasionally uses lease-purchase financing (capital leases) to acquire large equipment items. The School Board entered one such lease during FY12 for the purchase of a telephone system with an amount of \$1,152,889 for a five-year term at 3.0% interest.

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

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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COUNTY OF ORANGE, VIRGINIA

STATEMENT OF NET ASSETS

June 30, 2012

	Primary Government			Discretely Presented Component Units	
	Governmental Activities	Business-Type Activities	Total	School Board	EDA
ASSETS					
Cash and cash equivalents	\$ 9,118,934	\$ 6,032,744	\$ 15,151,678	\$ 3,621,568	\$ 1,317,924
Investments	11,394,178	-	11,394,178	-	-
Receivables, net:					
Taxes receivable	1,588,103	-	1,588,103	-	-
Accounts receivable	1,077,102	120,941	1,198,043	38,593	-
Due from other governments	936,564	302,729	1,239,293	1,393,408	-
Inventories	-	37,049	37,049	-	-
Note receivable	19,685,000	-	19,685,000	-	-
Other assets:					
Unamortized bond issue costs	664,123	-	664,123	-	-
Capital assets:					
Nondepreciable	1,259,907	2,891,873	4,151,780	3,314,633	129,172
Depreciable, net	74,161,562	10,021,671	84,183,233	33,628,645	-
Total assets	<u>119,885,473</u>	<u>19,407,007</u>	<u>139,292,480</u>	<u>41,996,847</u>	<u>1,447,096</u>
LIABILITIES					
Accounts payable	697,231	359,966	1,057,197	566,826	1,070
Accrued liabilities	60,715	28,652	89,367	3,406,944	-
Accrued interest payable	1,919,705	-	1,919,705	-	-
Unearned revenue	492,276	-	492,276	-	-
Long-term liabilities:					
Due within one year	6,176,764	21,266	6,198,030	507,045	-
Due in more than one year	87,940,215	4,064,993	92,005,208	3,997,338	-
Total liabilities	<u>97,286,906</u>	<u>4,474,877</u>	<u>101,761,783</u>	<u>8,478,153</u>	<u>1,070</u>
NET ASSETS					
Invested in capital assets, net of related debt	2,422,835	12,913,544	15,336,379	35,790,389	129,172
Unrestricted (deficit)	20,175,732	2,018,586	22,194,318	(2,271,695)	1,316,854
Total net assets	<u>\$ 22,598,567</u>	<u>\$ 14,932,130</u>	<u>\$ 37,530,697</u>	<u>\$ 33,518,694</u>	<u>\$ 1,446,026</u>

COUNTY OF ORANGE, VIRGINIA

STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Discretely Presented Component Units
					Governmental Activities	Business-Type Activities	Total	
Primary Government:								
Governmental activities:								
General government	\$ 3,147,031	\$ 1,100,931	\$ 241,869	\$ -	\$ (1,804,231)		\$ (1,804,231)	\$ -
Judicial administration	1,591,338	219,673	476,454	-	(895,211)		(895,211)	-
Public safety	9,801,548	1,606,510	1,531,324	-	(6,663,714)		(6,663,714)	-
Public works	790,439	-	131,305	-	(659,134)		(659,134)	-
Health and welfare	5,981,549	-	3,315,183	-	(2,666,366)		(2,666,366)	-
Education	28,150,265	185,123	-	-	(27,965,142)		(27,965,142)	-
Parks, recreation, and cultural	1,255,820	154,866	140,371	-	(960,583)		(960,583)	-
Community development	1,027,386	-	-	-	(1,027,386)		(1,027,386)	-
Interest on long-term debt	4,124,114	-	-	-	(4,124,114)		(4,124,114)	-
Total governmental activities	55,869,490	3,267,103	5,836,506	-	(46,765,881)		(46,765,881)	-
Business-type activities								
Airport	898,525	470,543	2,136	605,634		179,788	179,788	-
Landfill	2,111,304	333,339	7,160	-		(1,770,805)	(1,770,805)	-
Total business-type activities	3,009,829	803,882	9,296	605,634		(1,591,017)	(1,591,017)	-
Total primary government	\$ 58,879,319	\$ 4,070,985	\$ 5,845,802	\$ 605,634	(46,765,881)	(1,591,017)	(48,356,898)	-
Component Unit:								
School Board	\$ 37,925,666	\$ 1,002,273	\$ 26,973,741	\$ -			\$ (9,949,652)	\$ -
Economic Development Authority	21,271	-	-	-			-	(21,271)
Total component units	\$ 37,946,937	\$ 1,002,273	\$ 26,973,741	\$ -			\$ (9,949,652)	\$ (21,271)
General revenues:								
General property taxes					33,228,086	-	33,228,086	-
Other local taxes:								
Local sales and use					1,867,506	-	1,867,506	-
Consumer's utility tax					2,024,767	-	2,024,767	-
Consumption taxes					89,117	-	89,117	-
Motor vehicle license taxes					662,916	-	662,916	-
Taxes on recordation and wills					379,057	-	379,057	-
Restaurant food taxes					631,748	-	631,748	-
Other taxes					143,343	-	143,343	-
Unrestricted revenues from use of money and property					234,352	-	234,352	16,980
Miscellaneous					294,343	61,713	356,056	177,114
Payments from County					2,948,932	-	2,948,932	76,800
Grants and contributions not restricted to specific programs					(2,145,373)	-	-	-
Transfers					40,358,794	2,207,086	42,565,880	-
Total general revenues and transfers					(6,407,087)	616,069	(5,791,018)	80,883
Change in net assets					29,005,654	14,316,061	43,321,715	59,612
NET ASSETS AT JULY 1, as restated (Note 15)					\$ 22,598,567	\$ 14,932,130	\$ 37,530,697	1,386,414
NET ASSETS AT JUNE 30								\$ 1,446,026

FUND
FINANCIAL STATEMENTS

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COUNTY OF ORANGE, VIRGINIA

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012**

	General	Virginia Public Assistance	Debt Service	County Capital Projects	School Capital Projects	Other Governmental Funds	Total
ASSETS							
Cash and cash equivalents	\$ 7,216,540	\$ 95,639	\$ -	\$ 1,725,894	\$ 16,645	\$ 64,216	\$ 9,118,934
Investments	11,394,178	-	-	-	-	-	11,394,178
Receivables, net:							
Taxes receivable	1,588,103	-	-	-	-	-	1,588,103
Accounts receivable	1,076,377	-	-	-	-	725	1,077,102
Due from other governments	792,482	133,509	-	10,573	-	-	936,564
Note receivable	19,685,000	-	-	-	-	-	19,685,000
Total assets	\$ 41,752,680	\$ 229,148	\$ -	\$ 1,736,467	\$ 16,645	\$ 64,941	\$ 43,799,881
LIABILITIES							
Accounts payable and accrued expenditures	\$ 748,039	\$ -	\$ -	\$ 5,442	\$ -	\$ 4,465	\$ 757,946
Deferred revenue	21,533,200	-	-	-	-	-	21,533,200
Total liabilities	22,281,239	-	-	5,442	-	4,465	22,291,146
FUND BALANCES							
Committed	144,000	229,148	-	-	-	60,476	433,624
Assigned	1,743,994	-	-	1,731,025	16,645	-	3,491,664
Unassigned	17,583,447	-	-	-	-	-	17,583,447
Total fund balances	19,471,441	229,148	-	1,731,025	16,645	60,476	21,508,735
Total liabilities and fund balances	\$ 41,752,680	\$ 229,148	\$ -	\$ 1,736,467	\$ 16,645	\$ 64,941	\$ 43,799,881

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

COUNTY OF ORANGE, VIRGINIA

**RECONCILIATION TO THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
June 30, 2012**

Total fund balances per Exhibit 3 – Balance Sheet – Governmental Funds \$ 21,508,735

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 75,421,469

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 21,040,924

Debt issuance costs, net of amortization are reported as expenditures in the governmental funds, but are amortized over the life of the debt in the statement on net assets. 664,123

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

Bonds payable	(91,632,733)
Accrued interest payable	(1,919,705)
Capital leases payable	(1,050,901)
Other post-employment benefits	(615,396)
Compensated absences	(817,949)
	(12,036,684)

Net assets of governmental activities \$ 22,598,567

COUNTY OF ORANGE, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2012

	General	Assistance	Service	Projects	Projects	Funds	Total
REVENUES							
General property taxes	\$ 33,241,812	\$ -	\$ -	\$ -	\$ -	-	\$ 33,241,812
Other local taxes	5,798,454	-	-	-	-	-	5,798,454
Permits, privilege fees, and regulatory licenses	304,007	-	-	-	-	-	304,007
Fines and forfeitures	337	-	-	-	-	-	337
Revenue from the use of money and property	233,229	-	-	-	980	143	234,352
Charges for services	1,619,016	-	-	-	-	7,197	1,626,213
Miscellaneous	290,701	-	-	-	3,642	-	294,343
Recovered costs	1,620,931	-	-	-	-	-	1,620,931
Intergovernmental revenues:							
Commonwealth	6,695,819	910,287	-	141,879	-	3,478	7,751,463
Federal	20,808	1,013,167	-	-	-	-	1,033,975
Total revenues	49,825,114	1,923,454	-	141,879	4,622	10,818	51,905,887
EXPENDITURES							
Current:							
General government	2,721,480	-	-	-	-	-	2,721,480
Judicial administration	1,485,609	-	-	-	-	2,048	1,487,657
Public safety	9,303,239	-	-	-	-	4,212	9,307,451
Public works	739,907	-	-	-	-	-	739,907
Health and welfare	2,977,205	2,604,197	-	-	-	-	5,581,402
Education	17,096,189	-	-	681,332	-	-	17,777,521
Parks, recreation, and cultural	1,168,824	-	-	-	-	-	1,168,824
Community Development	960,472	-	-	-	-	-	960,472
Nondepartmental	56,646	-	-	-	-	-	56,646
Capital projects	-	-	-	337,378	2,865,883	-	3,203,261
Debt service:							
Principal retirement	-	-	5,248,884	-	-	-	5,248,884
Interest and other fiscal charges	-	-	4,462,741	-	-	-	4,462,741
Total expenditures	36,509,571	2,604,197	9,711,625	1,018,710	2,865,883	6,260	52,716,246
Excess (deficiency) of revenues over expenditures	13,315,543	(680,743)	(9,711,625)	(876,831)	(2,861,261)	4,558	(810,359)
OTHER FINANCING SOURCES (USES)							
Transfers in	28,500	754,602	9,818,635	743,871	-	-	11,345,608
Transfers out	(13,462,481)	-	-	(28,500)	-	-	(13,490,981)
Total other financing sources (uses)	(13,433,981)	754,602	9,818,635	715,371	-	-	(2,145,373)
Net change in fund balance	(118,438)	73,859	107,010	(161,460)	(2,861,261)	4,558	(2,955,732)
FUND BALANCES AT JULY 1	19,589,879	155,289	(107,010)	1,892,485	2,877,906	55,918	24,464,467
FUND BALANCES AT JUNE 30	\$ 19,471,441	\$ 229,148	\$ -	\$ 1,731,025	\$ 16,645	\$ 60,476	\$ 21,508,735

COUNTY OF ORANGE, VIRGINIA

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2012**

Net change in fund balances per Exhibit 5 – total government funds **\$ (2,955,732)**

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	2,884,097
Depreciation expense	(2,339,034)
Allocation of debt financed school assets based on current year repayments and drawdowns of bond proceeds	(9,092,453)
	(8,547,390)

The net effect of various transactions involving capital assets (i.e. sales, trade-ins, dispositions, and insurance proceeds is to decrease net assets).	(1,060)
--	---------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(298,112)
--	-----------

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

Principal repayments:	
General obligation debt	4,334,248
Lease revenue bonds	760,000
Capital lease	154,636
Amortization of bond discount	(44,839)
Amortization of deferred amount on refunding	(26,325)
Amortization of bond issuance costs	(31,659)
Amortization of bond premium	321,920
	5,467,981

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

Compensated absences	(38,905)
Other post-employment benefits	(153,396)
Accrued interest	119,527
	(72,774)

Changes in net assets of governmental activities **\$ (6,407,087)**

COUNTY OF ORANGE, VIRGINIA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

June 30, 2012

	Business-Type Activities Enterprise Funds		
	Airport Fund	Landfill Fund	Total
ASSETS			
Current assets:			
Cash and investments	\$ 230,483	\$ 5,802,261	\$ 6,032,744
Receivables, net	63,220	57,721	120,941
Due from other governments	302,729	-	302,729
Inventories	37,049	-	37,049
Total current assets	633,481	5,859,982	6,493,463
Noncurrent assets:			
Capital assets:			
Nondepreciable	1,873,209	1,018,664	2,891,873
Depreciable, net	9,756,059	265,612	10,021,671
Total noncurrent assets	11,629,268	1,284,276	12,913,544
Total assets	12,262,749	7,144,258	19,407,007
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	106,875	281,743	388,618
Long-term liabilities due within one year	2,400	18,866	21,266
Total current liabilities	109,275	300,609	409,884
Noncurrent liabilities:			
Long-term liabilities due in more than one year	4,670	4,060,323	4,064,993
Total noncurrent liabilities	4,670	4,060,323	4,064,993
Total liabilities	113,945	4,360,932	4,474,877
NET ASSETS			
Invested in capital assets	11,629,268	1,284,276	12,913,544
Unrestricted	519,536	1,499,050	2,018,586
Total net assets	\$ 12,148,804	\$ 2,783,326	\$ 14,932,130

COUNTY OF ORANGE, VIRGINIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2012

	Business-Type Activities		
	Enterprise Funds		
	Airport Fund	Landfill Fund	Totals
OPERATING REVENUES			
Charges for services	\$ 470,543	\$ 333,339	\$ 803,882
Miscellaneous	-	61,713	61,713
Total operating revenues	470,543	395,052	865,595
OPERATING EXPENSES			
Personnel services	75,716	531,164	606,880
Fringe benefits	21,408	133,564	154,972
Contractual services	33,891	838,450	872,341
Other charges	392,487	543,815	936,302
Depreciation	375,023	64,311	439,334
Total operating expenses	898,525	2,111,304	3,009,829
Operating loss	(427,982)	(1,716,252)	(2,144,234)
NON-OPERATING REVENUES			
Commonwealth grants	2,136	7,160	9,296
Total non-operating revenues	2,136	7,160	9,296
Loss before contributions and transfers	(425,846)	(1,709,092)	(2,134,938)
CAPITAL CONTRIBUTIONS	605,634	-	605,634
TRANSFERS IN	153,020	1,992,353	2,145,373
Change in net assets	332,808	283,261	616,069
NET ASSETS AT JULY 1	11,815,996	2,500,065	14,316,061
NET ASSETS AT JUNE 30	<u>\$ 12,148,804</u>	<u>\$ 2,783,326</u>	<u>\$ 14,932,130</u>

COUNTY OF ORANGE, VIRGINIA

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS

Year Ended June 30, 2012

	Business-Type Activities – Enterprise Funds		
	Airport Fund	Landfill Fund	Total
OPERATING ACTIVITIES			
Receipts from customers	\$ 408,392	\$ 312,169	\$ 720,561
Payments to suppliers	(442,845)	(1,413,905)	(1,856,750)
Payments to employees	(95,423)	(657,245)	(752,668)
Other receipts	-	61,713	61,713
Net cash used in operating activities	(129,876)	(1,697,268)	(1,827,144)
NONCAPITAL FINANCING ACTIVITIES			
Noncapital grant	2,136	7,160	9,296
Transfers from other funds	153,020	1,992,353	2,145,373
Net cash provided by noncapital financing activities	155,156	1,999,513	2,154,669
CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital contributions and construction grants	742,969	-	742,969
Purchases of capital assets	(775,128)	(653,320)	(1,428,448)
Net cash used in capital and related financing activities	(32,159)	(653,320)	(685,479)
Net decrease in cash and cash equivalents	(6,879)	(351,075)	(357,954)
CASH AND CASH EQUIVALENTS			
Beginning at July 1	237,362	6,153,336	6,390,698
Ending at June 30	<u>\$ 230,483</u>	<u>\$ 5,802,261</u>	<u>\$ 6,032,744</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:			
Operating loss	\$ (427,982)	\$ (1,716,252)	\$ (2,144,234)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	375,023	64,311	439,334
Change in assets and liabilities:			
(Increase) decrease in:			
Receivables, net	(62,151)	(21,170)	(83,321)
Inventories	8,591	-	8,591
(Decrease) increase in:			
Accounts payable and accrued liabilities	(25,058)	(138,640)	(163,698)
Landfill closure and postclosure care	-	107,000	107,000
Compensated absences and OPEB	1,701	7,483	9,184
Net cash used in operating activities	<u>\$ (129,876)</u>	<u>\$ (1,697,268)</u>	<u>\$ (1,827,144)</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital assets purchases included in accounts payable	<u>\$ 68,028</u>	<u>\$ 206,648</u>	<u>\$ 274,676</u>

COUNTY OF ORANGE, VIRGINIA

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2012

	Talley Memorial Private- Purpose Trust	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 15,000	\$ 377,555
Total assets	<u>15,000</u>	<u>377,555</u>
LIABILITIES		
Amounts held for others	<u>-</u>	<u>377,555</u>
Total liabilities	<u>-</u>	<u>377,555</u>
NET ASSETS		
Restricted – held in trust for library needs	<u><u>\$ 15,000</u></u>	<u><u>\$ -</u></u>

COUNTY OF ORANGE, VIRGINIA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Year Ended June 30, 2012

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

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

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

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

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

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1. Summary of Significant Accounting Policies (Continued)

B. Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

The County reports the following major governmental funds:

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

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

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1. Summary of Significant Accounting Policies (Continued)

Fund Financial Statements (Continued)

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

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

The *county capital projects fund* accounts for the renovation and improvements related to County assets. Financing is provided by debt issuance and general fund transfers.

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

The County reports the following major proprietary funds:

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

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

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

Additionally, the government reports the following fund types:

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

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

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

D. Assets, Liabilities, and Net Assets or Equity

Deposits and Investments

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

Interfund Receivables and Payables

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

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1. Summary of Significant Accounting Policies (Continued)

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

Inventories

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

Taxes Receivable

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

Note Receivable

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

Year Ended	Governmental Activities	
	Note	
	Receivable	
	Principal	Interest
2013	\$ 540,000	\$ 883,181
2014	565,000	859,700
2015	585,000	834,531
2016	610,000	806,118
2017	645,000	774,744
2018-2022	3,685,000	3,405,306
2023-2027	4,595,000	2,453,991
2028-2032	5,775,000	1,276,988
2033-2034	2,685,000	122,063
	<u>\$ 19,685,000</u>	<u>\$ 11,416,622</u>

(Continued)

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1. Summary of Significant Accounting Policies (Continued)

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

Capital Assets

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

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

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

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

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

Unearned and Deferred Revenue

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

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

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1. Summary of Significant Accounting Policies (Continued)

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

Compensated Absences

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

Long-term Obligations

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

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

Fund Equity

Fund Balances

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

The classifications are as follows:

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

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1. Summary of Significant Accounting Policies (Continued)

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

Fund Equity (Continued)

Fund Balances (Continued)

- **Committed** – Amounts constrained to specific purposes by the County, using authority 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 intended to use for a specified purpose; intent can be expressed by the governing body or by the County Administrator or Director of Finance which has been designated this authority by the governing body.
- **Unassigned** – Amounts that are available for any purpose; positive amounts are reported only in the general fund.

Restricted Amounts

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

Minimum Fund Balance Policy

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

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

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

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1. Summary of Significant Accounting Policies (Continued)

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

Fund Equity (Continued)

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is employed as an extension of formal budgetary integration in the governmental funds. There were no significant encumbrances as of June 30, 2012.

Net Assets

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

Use of Estimates

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

Note 2. Stewardship, Compliance, and Accountability

Budgetary Information

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

1. Prior to April 1, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. The following Funds have legally adopted budgets: General Fund, Virginia Public Assistance Fund, Law Library Fund, Forfeited Assets Fund, School Operating Fund, School Textbook Adoption Fund, and School Adult Education Fund.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the department level. The appropriation for each department can be revised by the Board of Supervisors only. Amounts that do not fall under a department's control are categorized as non-departmental even though they may relate to a particular function.

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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

Budgetary Information (Continued)

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

Note 3. Deposits and Investments

Deposits:

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

Investments:

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, the State Treasurer's Local Government Investment Pool (LGIP), and State Non-Arbitrage Program (SNAP).

External Investment Pools:

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

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 3. Deposits and Investments (Continued)

At June 30, the deposit and investment balances were as follows:

	<u>Fair Value</u>
Deposits:	
Demand deposits	\$ 12,521,001
Cash on hand	4,300
	<u>12,525,301</u>
Investments:	
U.S. agencies	9,725,256
LGIP	7,524,295
Corporate debt	1,461,657
Money market funds	248,839
	<u>31,485,348</u>
Total deposits and investments	<u><u>\$ 31,485,348</u></u>

Exhibit 1 total deposits and investment is composed as follows:

Cash and cash equivalents – Primary Government	\$ 15,151,678
Cash and cash equivalents – Component Units	4,939,492
Investments – Primary Government	<u>11,394,178</u>
Total deposits and investments	<u><u>\$ 31,485,348</u></u>

Custodial credit risk:

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

Credit risk:

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

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 3. Deposits and Investments (Continued)

Credit risk (Continued):

	Moody's Ratings	
	Aaa	Aa
Corporate debt	\$ -	\$ 1,461,657
U.S. agencies	9,725,256	-
LGIP	7,524,295	-
Money market mutual fund	248,839	-
	<u>\$ 17,498,390</u>	<u>\$ 1,461,657</u>

Interest rate risk:

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

Investment Type	Fair Value	Less Than 1 Year	1-5 Years
Money market mutual funds	\$ 248,839	\$ 248,839	\$ -
LGIP	7,524,295	7,524,295	-
U.S. agencies	9,725,256	1,708,351	8,016,905
Corporate debt	1,461,657	166,539	1,295,118
	<u>\$ 18,960,047</u>	<u>\$ 9,648,024</u>	<u>\$ 9,312,023</u>

Note 4. Receivables

Receivables at year end are as follows:

	General Fund	Other Governmental Funds	Airport Fund	Landfill Fund	Total Primary Government	Component Unit – School Board
Receivables						
Taxes	\$ 2,074,905	\$ -	\$ -	\$ -	\$ 2,074,905	\$ -
Less: allowance for uncollectible accounts	(486,802)	-	-	-	(486,802)	-
Net taxes receivable	1,588,103	-	-	-	1,588,103	-
Accounts receivable	2,000,248	725	63,220	57,721	2,121,914	38,593
Less: allowance for uncollectible accounts	(923,871)	-	-	-	(923,871)	-
Net accounts receivable	1,076,377	725	63,220	57,721	1,198,043	38,593
Net total receivables	<u>\$ 2,664,480</u>	<u>\$ 725</u>	<u>\$ 63,220</u>	<u>\$ 57,721</u>	<u>\$ 2,786,146</u>	<u>\$ 38,593</u>

(Continued)

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 4. Receivables (Continued)

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

Note 5. Due From Other Governmental Units

Amounts due from other governments consist of the following:

	<u>Primary Government</u>	<u>Component Unit – School Board</u>
Commonwealth of Virginia:		
State sales taxes	\$ -	\$ 836,386
Local sales taxes	360,393	-
Communication taxes	9,059	-
Public assistance and welfare administration	63,343	-
Comprehensive youth service	174,138	-
Aviation grant	250,459	-
Sheriff	93,520	-
Commonwealth's Attorney	18,248	-
Clerk of Circuit Court	21,609	-
Registrar/Electoral Board	39,171	-
Treasurer	7,946	-
Commissioner of Revenue	9,264	-
Other	69,707	-
Federal Government:		
Education grants	-	557,022
Aviation grant	52,270	-
Public assistance	70,166	-
	<u>\$ 1,239,293</u>	<u>\$ 1,393,408</u>

Note 6. Interfund Transfers

Interfund transfers consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
General Fund	\$ 28,500	\$ 13,462,481
Virginia Public Assistance Fund	754,602	-
Debt Service Fund	9,818,635	-
County Capital Projects Fund	743,871	28,500
Proprietary Funds:		
Airport Fund	153,020	-
Landfill Fund	1,992,353	-
	<u>\$ 13,490,981</u>	<u>\$ 13,490,981</u>

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 6. Interfund Transfers (Continued)

	<u>Transfers In</u>	<u>Transfers Out</u>
Component Unit – School Board:		
School Operating Fund	\$ -	\$ 520,647
School Textbook Adoptions Fund	505,000	-
Nonmajor Governmental Funds	15,647	-
	<u>\$ 520,647</u>	<u>\$ 520,647</u>

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

Note 7. Capital Assets

Capital asset activity for the year consist of the following:

	<u>Beginning Balance, as restated (Note 15)</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 1,232,342	\$ -	\$ -	\$ 1,232,342
Construction in progress	80,790	31,317	(84,542)	27,565
School construction in progress allocated to County	38,291,297	2,463,949	(40,755,246)	-
Total capital assets not being depreciated	39,604,429	2,495,266	(40,839,788)	1,259,907
Capital assets being depreciated:				
Buildings and improvements	17,910,141	90,086	-	18,000,227
School buildings and improvements	31,068,892	31,662,793	-	62,731,685
Furniture, equipment, and vehicles	8,583,390	383,287	(97,260)	8,869,417
Total capital assets being depreciated	57,562,423	32,136,166	(97,260)	89,601,329
Less accumulated depreciation for:				
Buildings and improvements	(3,452,713)	(413,665)	-	(3,866,378)
School buildings and improvements	(3,634,789)	(878,356)	-	(4,513,145)
Furniture, equipment, and vehicles	(6,109,431)	(1,047,013)	96,200	(7,060,244)
Total accumulated depreciation	(13,196,933)	(2,339,034)	96,200	(15,439,767)
Capital assets being depreciated, net	44,365,490	29,797,132	(1,060)	74,161,562
Net capital assets	<u>\$ 83,969,919</u>	<u>\$ 32,292,398</u>	<u>\$ (40,840,848)</u>	<u>\$ 75,421,469</u>

(Continued)

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 7. Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 1,728,532	\$ 172,782	\$ -	\$ 1,901,314
Construction in progress	1,786,274	1,394,733	(2,190,448)	990,559
Total capital assets not being depreciated	3,514,806	1,567,515	(2,190,448)	2,891,873
Capital assets being depreciated:				
Buildings and improvements	8,947,761	2,192,006	-	11,139,767
Furniture, equipment, and vehicles	1,068,389	134,051	-	1,202,440
Total capital assets being depreciated	10,016,150	2,326,057	-	12,342,207
Less accumulated depreciation for:				
Buildings and improvements	(1,140,408)	(322,519)	-	(1,462,927)
Furniture, equipment, and vehicles	(740,794)	(116,815)	-	(857,609)
Total accumulated depreciation	(1,881,202)	(439,334)	-	(2,320,536)
Capital assets being depreciated, net	8,134,948	1,886,723	-	10,021,671
Net capital assets	<u>\$ 11,649,754</u>	<u>\$ 3,454,238</u>	<u>\$ (2,190,448)</u>	<u>\$ 12,913,544</u>

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

	Governmental Activities	Business-Type Activities	Total Primary Government
General government administration	\$ 180,961	\$ -	\$ 180,961
Judicial administration	98,920	-	98,920
Public safety	618,886	-	618,886
Public works	49,199	-	49,199
Health and welfare	371,128	-	371,128
Education	878,356	-	878,356
Parks, recreation, and cultural	77,719	-	77,719
Community development	63,865	-	63,865
Airport	-	375,023	375,023
Landfill	-	64,311	64,311
Total depreciation expense – primary government	<u>\$ 2,339,034</u>	<u>\$ 439,334</u>	<u>\$ 2,778,368</u>

(Continued)

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 7. Capital Assets (Continued)

Discretely Presented Component Unit – School Board

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 737,700	\$ 1,117,643	\$ -	\$ 1,855,343
Construction in progress	147,188	1,459,290	(147,188)	1,459,290
Total capital assets not being depreciated	884,888	2,576,933	(147,188)	3,314,633
Capital assets being depreciated:				
Buildings and improvements	94,824,785	38,854,404	-	133,679,189
Allocated to County	(31,068,892)	(31,662,793)	-	(62,731,685)
Furniture, equipment, and vehicles	10,538,342	2,735,043	(611,500)	12,661,885
Total capital assets being depreciated	74,294,235	9,926,654	(611,500)	83,609,389
Less accumulated depreciation for:				
Buildings and improvements	(45,435,177)	(2,491,230)	-	(47,926,407)
Allocated to County	3,634,789	878,356	-	4,513,145
Furniture, equipment, and vehicles	(5,880,455)	(1,298,527)	611,500	(6,567,482)
Total accumulated depreciation	(47,680,843)	(2,911,401)	611,500	(49,980,744)
Capital assets being depreciated, net	26,613,392	7,015,253	-	33,628,645
Net capital assets	<u>\$ 27,498,280</u>	<u>\$ 9,592,186</u>	<u>\$ (147,188)</u>	<u>\$ 36,943,278</u>

School Board depreciation expense for the year amounted to \$2,911,401.

Local governments in Virginia and their school boards hold a tenancy in common with respect to capital assets constructed with long-term debt. Accordingly, school capital assets for which debt is still outstanding are included in the capital assets of the County. As the debt is retired, a proportional amount of the assets are transferred to the Component Unit – School Board. In the current year, the large increase in School Board capital assets and decrease in County government activities capital assets is due to placing a new school in service for which debt had been retired.

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 8. 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	\$ 65,397,332	\$ -	\$ 4,334,248	\$ 61,063,084	\$ 4,377,040
Premium on general obligation bonds	3,037,143	-	321,920	2,715,223	305,545
Total general obligation bonds	68,434,475	-	4,656,168	63,778,307	4,682,585
Lease revenue and refunding bonds payable	29,535,000	-	760,000	28,775,000	790,000
Discount on lease revenue and refunding bonds	(625,066)	-	(44,839)	(580,227)	(43,758)
Deferred amount on refunding	(366,672)	-	(26,325)	(340,347)	(25,682)
Total lease revenue and refunding bonds	28,543,262	-	688,836	27,854,426	720,560
Capital leases	1,205,537	-	154,636	1,050,901	160,157
Other post-employment benefits	462,000	153,396	-	615,396	-
Compensated absences	779,044	623,188	584,283	817,949	613,462
Total governmental activities	<u>\$ 99,424,318</u>	<u>\$ 776,584</u>	<u>\$ 6,083,923</u>	<u>\$ 94,116,979</u>	<u>\$ 6,176,764</u>
Business-Type Activities:					
Compensated absences	\$ 28,075	\$ 21,335	\$ 21,055	\$ 28,355	\$ 21,266
Other post-employment benefits	22,000	8,904	-	30,904	-
Landfill closure/post-closure liability	3,920,000	107,000	-	4,027,000	-
Total business-type activities	<u>\$ 3,970,075</u>	<u>\$ 137,239</u>	<u>\$ 21,055</u>	<u>\$ 4,086,259</u>	<u>\$ 21,266</u>

Both compensated absences and other post-employment benefits for governmental activities are expected to be paid out of the General and Virginia Public Assistance Fund.

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 8. Long-Term Liabilities (Continued)

Discretely Presented Component Unit – School Board:

	Beginning Balance	Increases	Decreases	Ending Balance	Due within One Year
Governmental Activities:					
Compensated absences	\$ 1,362,991	\$ 380,515	\$ 282,712	\$ 1,460,794	\$ 292,159
Other post-employment benefits	1,402,000	488,700	-	1,890,700	-
Capital lease	-	1,152,889	-	1,152,889	214,886
Total long-term liabilities	<u>\$ 2,764,991</u>	<u>\$ 2,022,104</u>	<u>\$ 282,712</u>	<u>\$ 4,504,383</u>	<u>\$ 507,045</u>

Details of long-term indebtedness are as follows:

General Obligation Bonds:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Governmental Activities
County:					
Industrial park improvements	3.87	12/07/2005	07/15/2017	\$ 1,279,119	\$ 711,126
Library and industrial park	2.82	05/29/2003	07/15/2013	\$ 1,528,900	335,500
School:					
VPSA bond	5.4-5.975	05/18/1995	07/15/2015	\$ 530,000	100,000
VPSA bond	6.1-6.3	05/05/1994	07/15/2013	\$ 925,000	95,000
VPSA bond	5.1-5.5	05/01/1993	12/15/2013	\$ 4,450,000	140,000
VPSA bond	4.975-5.85	11/16/2000	07/15/2020	\$ 2,830,000	1,305,000
School improvement bond	4.1-5.6	05/25/2001	07/15/2021	\$ 25,000,000	15,715,000
VPSA bond	2.35-5.10	11/07/2002	07/15/2023	\$ 1,615,000	1,065,000
School improvement bond	2.30-3.59	11/10/2005	07/15/2025	\$ 13,935,316	9,946,458
VPSA bond	4.35-5.10	11/08/2007	07/15/2027	\$ 5,220,000	4,160,000
VPSA bond	4.05-5.05	05/07/2009	07/15/2029	\$ 30,550,000	27,490,000
					<u>\$ 61,063,084</u>

Lease Revenue and Refunding Bonds:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Governmental Activities
County courthouse and nursing home	4.25-5.0	09/06/2007	02/01/2034	\$ 31,235,000	<u>\$ 28,775,000</u>

(Continued)

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 8. Long-Term Liabilities (Continued)

Capital Lease Obligation:

	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Final Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Governmental Activities</u>
Pierce Truck	3.57	03/14/2008	02/01/2018	\$ 1,644,968	<u>\$ 1,050,901</u>

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

Year Ended June 30	Governmental Activities					
	General Obligation Bonds		Lease Revenue and Refunding Bond		Capital Lease Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 4,377,040	\$ 2,871,227	\$ 790,000	\$ 1,307,794	\$ 160,157	\$ 37,517
2014	4,333,126	2,666,900	825,000	1,274,219	165,875	31,800
2015	4,199,903	2,463,986	855,000	1,239,156	171,797	25,878
2016	4,284,363	2,259,014	895,000	1,200,681	177,930	19,745
2017	4,359,248	2,045,169	940,000	1,155,931	184,282	13,393
2018-2022	22,664,399	6,887,173	5,385,000	5,098,819	190,860	6,813
2023-2027	12,010,005	2,473,728	6,725,000	3,742,075	-	-
2028-2032	4,835,000	323,639	8,435,000	2,055,600	-	-
2033-2034	-	-	3,925,000	266,850	-	-
	<u>\$ 61,063,084</u>	<u>\$ 21,990,837</u>	<u>\$ 28,775,000</u>	<u>\$ 17,341,125</u>	<u>\$ 1,050,901</u>	<u>\$ 135,146</u>

The assets acquired through capital leases are as follows:

	Governmental Activities
Vehicles – Pierce fire trucks	\$ 1,644,939
Less: accumulated depreciation	<u>(1,315,951)</u>
	<u>\$ 328,988</u>

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 8. Long-Term Liabilities (Continued)

Capital Lease Obligation – School Board:

	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Final Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Governmental Activities</u>
Phone system	3.0%	02/01/2012	08/01/2016	\$ 1,152,889	<u>\$ 1,152,889</u>

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

<u>Year Ended June 30</u>	<u>Capital Lease Obligations</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 214,886	\$ 15,691
2014	205,296	25,282
2015	211,344	19,234
2016	217,570	13,007
2017	<u>303,793</u>	<u>6,598</u>
	<u>\$ 1,152,889</u>	<u>\$ 79,812</u>

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Phone system	\$ 1,152,889
Less: accumulated depreciation	<u>-</u>
	<u>\$ 1,152,889</u>

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 9. Defined Benefit Pension Plan

A. Plan Description

Name of Plan: Virginia Retirement System (VRS)

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

Administering Entity: Virginia Retirement System (System)

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

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

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 50 with at least 10 years of service credit or age 55 with at least five years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

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

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 9. Defined Benefit Pension Plan (Continued)

A. Plan Description (Continued)

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

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

B. Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5.00% of their annual salary to the VRS. All or part of the 5.00% member contribution may be assumed by the employer. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund their participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The County and School's contribution rates for the fiscal year ended 2012 were 9.54% and 5.86% of annual covered payroll, respectively. The contribution rate for School Board professional employees for the VRS state-wide teacher pool was 6.33%.

The School Board's contributions for professional employees were \$1,401,401, \$1,019,365, and \$1,451,562 to the teacher cost-sharing pool for the years ended June 30, 2012, 2011, and 2010, respectively and these contributions represented 6.33%, 3.93%, and 8.81%, respectively, of current covered payroll.

C. Annual Pension Cost

For 2012, the County's annual pension cost of \$996,259 was equal to the County's required and actual contribution. The School Board's annual pension cost for the Board's non-professional employees was \$154,672 and was also equal to the Board's required and actual contribution.

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
County:			
June 30, 2012	\$ 996,259	100%	\$ -
June 30, 2011	\$ 655,291	100%	\$ -
June 30, 2010	\$ 790,586	100%	\$ -

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 9. Defined Benefit Pension Plan (Continued)

C. Annual Pension Cost (Continued)

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
School Board Non-Professional:			
June 30, 2012	\$ 154,672	100%	\$ -
June 30, 2011	\$ 162,101	100%	\$ -
June 30, 2010	\$ 136,663	100%	\$ -

The 2012 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County's and the School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County's and School Board's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 for the unfunded actuarial accrued liability (UAAL) was 20 years.

D. Funded Status and Funding Progress

As of June 30, 2011, the most recent actuarial valuation date, the County's plan was 79.45% funded. The actuarial accrued liability for benefits was \$25,431,903, and the actuarial value of assets was \$20,205,201, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,226,702. The covered payroll (annual payroll of active employees covered by the plan) was \$7,805,938, and the ratio of the UAAL to the covered payroll was 66.96%.

As of June 30, 2011, the most recent actuarial valuation date, the School Board's non-professional plan was 90.47% funded. The actuarial accrued liability for benefits was \$7,699,773, and the actuarial value of assets was \$6,965,932, resulting in an unfunded actuarial accrued liability (UAAL) of \$733,841. The covered payroll (annual payroll of active employees covered by the plan) was \$2,660,688, and the ratio of the UAAL to covered payroll was 27.58%.

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

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 10. Other Post-Employment Benefits

County

A. Plan Description

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

B. Funding Policy

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

C. Annual Required Contribution (ARC)

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

Annual required contribution	\$ 208,300
Interest on net OPEB obligation	19,300
Adjustment to annual required contribution	<u>(21,100)</u>
Annual OPEB cost (expense)	206,500
Contribution by employer	<u>(44,200)</u>
Increase in net OPEB obligation	162,300
Net OPEB obligation - beginning of year	<u>484,000</u>
Net OPEB obligation - end of year	<u><u>\$ 646,300</u></u>

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2012	\$ 206,500	21%	\$ 646,300
June 30, 2011	\$ 195,605	19%	\$ 483,000
June 30, 2010	\$ 179,439	12%	\$ 324,711

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 10. Other Post-Employment Benefits (Continued)

County (Continued)

D. Funded Status and Funding Progress

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

Actuarial accrued liability (AAL)	\$ 1,369,559
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability	\$ 1,369,559
Funded ratio (actuarial value of plan assets (AAL)	- %
Covered payroll (active plan members)	\$ 8,269,728
UAAL as a percentage of covered payroll	16.56 %

E. Actuarial Methods and Assumptions

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

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

Cost Method:

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

Interest Assumptions:

The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after eight years. An inflation rate of 2.5 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, 2010, was thirty years.

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 10. Other Post-Employment Benefits (Continued)

School Board

A. Plan Description

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

B. Funding Policy

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

C. Annual Required Contribution (ARC)

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

Annual required contribution	\$ 768,100
Interest on net OPEB obligation	56,100
Adjustment to annual required contribution	<u>(58,000)</u>
Annual OPEB cost (expense)	766,200
Contribution by employer	<u>(277,500)</u>
Increase in net OPEB obligation	488,700
Net OPEB obligation - beginning of year	<u>1,402,000</u>
Net OPEB obligation - end of year	<u><u>\$ 1,890,700</u></u>

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2012	\$ 766,200	36%	\$ 1,890,700
June 30, 2011	\$ 726,287	29%	\$ 1,402,000
June 30, 2010	\$ 648,948	35%	\$ 885,123

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 10. Other Post-Employment Benefits (Continued)

School Board (Continued)

D. Funded Status and Funding Progress

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

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

E. Actuarial Methods and Assumptions

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

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

Cost Method:

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

Interest Assumptions:

The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after eight years. An inflation rate of 2.5 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, 2010, was thirty years.

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 11. Landfill Closure and Post-Closure Care Cost

Permit 90

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

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure care costs as an operating expense in each period based on landfill capacity used at each balance sheet date. The \$4,027,000 reported as landfill closure care liability at June 30, represents the cumulative amount reported based on the use of 99% of the estimated capacity of the landfill. These amounts are based on what it would cost to perform all closure care in 2012. The County expects to close the landfill by December 31, 2012 and is in the process of opening a new landfill under a new permit. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The County intends to fund these costs from tipping fees revenue and from any funds accumulated for this purpose in the Landfill Fund as well as transfers from the General Fund.

Permit 566

This landfill is currently under construction and is expected to begin 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 thirty 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 estimated landfill closure and post-closure liability of \$4,463,926 at June 30 will be recognized as estimated capacity is filled beginning in January 2013. No liability is recorded as of June 30 as no capacity has been utilized. Actual future costs may be higher due to inflation, changes in technology, changes in regulations, or other unforeseen circumstances.

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

Note 12. Commitments and Contingencies

Litigation

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

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 12. Commitments and Contingencies (Continued)

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.

Note 13. Risk Management

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

The County is a member of the Virginia Municipal Group Self Insurance Association for workers' compensation. Each Association member jointly and severally agrees to assume, pay, and discharge any liability. The County pays Virginia Municipal Group contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Association and claims awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Association may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The County carries commercial insurance for all other risks of losses. Settled claims from these risks have not exceeded commercial coverage in any of the last three fiscal years.

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 14. Fund Balances

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

	<u>General Fund</u>	<u>Virginia Public Assistance Fund</u>	<u>Debt Service Fund</u>	<u>County Capital Projects Fund</u>	<u>School Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>Component Unit – School Board</u>
Committed to:								
Judicial administration	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 47,251	\$ 47,251	\$ -
Public safety	144,000	-	-	-	-	13,225	157,225	-
Health and welfare	-	229,148	-	-	-	-	229,148	-
Education	-	-	-	-	-	-	-	1,079,799
Total committed	<u>144,000</u>	<u>229,148</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,476</u>	<u>433,624</u>	<u>1,079,799</u>
Assigned to:								
General government administration	100,756	-	-	17,172	-	-	117,928	-
Education	-	-	-	-	16,645	-	16,645	-
Subsequent year appropriation of fund balance	1,643,238	-	-	-	-	-	1,643,238	-
Other capital projects	-	-	-	1,713,853	-	-	1,713,853	-
Total assigned	<u>1,743,994</u>	<u>-</u>	<u>-</u>	<u>1,731,025</u>	<u>16,645</u>	<u>-</u>	<u>3,491,664</u>	<u>-</u>
Unassigned	<u>17,583,447</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,583,447</u>	<u>-</u>
Total fund balance	<u>\$ 19,471,441</u>	<u>\$ 229,148</u>	<u>\$ -</u>	<u>\$ 1,731,025</u>	<u>\$ 16,645</u>	<u>\$ 60,476</u>	<u>\$ 21,508,735</u>	<u>\$ 1,079,799</u>

Note 15. Restatement of Net Assets

The following is a summary of the restatement of the County's net assets effective June 30, 2011:

	<u>Primary Governmental Activities</u>
Net assets, June 30, 2011, as previously stated	\$ 30,544,379
To correct errors in capital assets due to improperly capitalized interest in 2010	<u>(1,538,725)</u>
Net assets June 30, 2011, as restated	<u>\$ 29,005,654</u>

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 16. Subsequent Events

Subsequent to year end, the County entered into a lease agreement in the amount of \$747,000 to finance a number of capital items including a generator, phone system, wireless radios and new financial software. Semi-annual payments are due in the amount of \$78,405 with an interest rate of 1.78% and final maturity in September 2017.

Note 17. Pending GASB Statements

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

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, was issued to address service concession arrangements, which are a type of public-private or public-public partnership. The statement defines a service concession arrangement in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The requirements of this statement establish recognition, measurement, and disclosure requirements for these types of arrangements. This statement will be effective for the year ending June 30, 2013.

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

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

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 17. Pending GASB Statements (continued)

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes standards for reclassification of certain item as deferred outflows and inflows of resources that were previously reported as assets and liabilities. The standard limits the items that should be reported as deferred outflows and inflows of resources to items specifically identified in authoritative pronouncements. Additionally, the standard requires that debt issuance costs be recognized as an expense in the period incurred except any portion related to prepaid insurance costs. Prospective application is required. The statement will be effective for the year ending June 30, 2014.

GASB Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*, was issued to resolve conflicting guidance that resulted from the issuance of two pronouncements. The statement amends GASB Statement No. 10 by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. The fund classification should be determined based on the nature of the activity to be reported. The statement also amends GASB Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a normal servicing fee rate. The statement will be effective for the year ending June 30, 2014.

GASB Statement No. 67, *Financial Reporting for Pension Plans* replaces the requirements of *GASB Statements No. 25 and No. 50* as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. The statement enhances note disclosures and RSI for both defined benefit and defined contribution pension plans. The statement also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. This statement will be effective for the year ending June 30, 2014.

GASB Statement No. 68, *Accounting and Financial Reporting for Pension Plans* replaces the requirements of *GASB Statements No. 27 and No. 50* as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. The statement requires governments providing defined benefit pensions to recognize the long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information, including disclosing descriptive information about the types of benefits provided, how contributions to the pension plan are determined, and assumptions and methods used to calculate the pension liability. This statement will be effective for the year ending June 30, 2015.

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

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**REQUIRED
SUPPLEMENTARY INFORMATION**

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COUNTY OF ORANGE, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
REVENUES				
General Property Taxes	\$ 31,837,700	\$ 31,837,700	\$ 33,241,812	\$ 1,404,112
Other Local Taxes	5,810,000	5,810,000	5,798,454	(11,546)
Permits, Fees, License	202,000	202,900	304,007	101,107
Use of Money & Property	1,764,198	1,764,198	1,658,935	(105,263)
Charges for Services	1,655,858	1,691,943	1,619,353	(72,590)
Miscellaneous Revenues	344,764	505,706	290,700	(215,006)
Recovered Costs	104,408	200,544	195,224	(5,319)
Non-Categorical Aid	2,830,823	2,830,823	2,835,498	4,675
Shared Expenses	1,875,170	1,937,989	1,878,458	(59,531)
Other Categorical Aid-State	2,157,154	2,171,110	1,981,864	(189,246)
Federal Grants	4,000	23,787	20,808	(2,979)
Destroyed Livestock Revenue	3,000	3,000	-	(3,000)
Transfers in	-	28,500	28,500	-
Total revenues	48,589,075	49,008,199	49,853,614	845,415
EXPENDITURES				
Current:				
Board of Supervisors	124,270	148,007	111,858	36,149
County Administration	339,048	383,583	347,785	35,798
County Attorney	309,350	331,921	299,108	32,813
Human Resources	221,957	360,304	144,033	216,271
Comm. Of Rev/Reassessment	372,765	409,265	353,314	55,951
Treasurer	372,600	372,600	366,223	6,377
Finance	399,609	396,696	372,722	23,974
Independent Auditor	48,050	50,963	49,261	1,702
Information Technology	439,094	520,019	400,986	119,033
Electoral Board	220,667	237,661	195,928	41,733
Circuit Court Judge	56,517	56,517	53,322	3,195
Gen Dist & Juvenile Court	12,630	12,630	10,194	2,436
Magistrates	2,900	2,900	2,308	592
Circuit Court Clerk & Jury	460,569	514,229	493,254	20,975
Commonwealth Attorney	388,944	449,944	431,913	18,031
Sheriff	3,229,927	3,406,694	3,400,978	5,716
E911 & Gen Dispatch	695,152	780,816	703,789	77,027
Office Fire & Emergency Services	3,709,194	3,797,207	3,649,086	148,122
Probation Services	2,650	2,650	1,660	991
Planning Department	332,498	386,244	307,015	79,229
Building Inspection	310,010	351,237	308,767	42,470
Animal Shelter	420,184	536,607	507,181	29,426
Department of Public Works	809,768	810,133	739,907	70,226
Parks & Recreation & Office on Youth	2,856,300	2,919,802	2,633,295	286,507
Library	909,052	946,684	924,114	22,570
Economic Development	220,985	297,835	254,824	43,011
Tourism	245,226	292,910	193,579	99,331
Non-Departmental	33,527,635	34,441,038	32,715,651	1,725,388
Total expenditures	51,037,551	53,217,096	49,972,052	3,245,044
Excess of revenues (under) expenditures	(2,448,476)	(4,208,896)	(118,438)	4,090,458
Net change in fund balance	\$ (2,448,476)	\$ (4,208,896)	\$ (118,438)	\$ 4,090,458

COUNTY OF ORANGE, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
VIRGINIA PUBLIC ASSISTANCE FUND
Year Ended June 30, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenues:				
Commonwealth	\$ 1,746,615	\$ 1,746,615	\$ 910,287	\$ (836,328)
Federal	770,094	770,094	1,013,167	243,073
Total revenues	2,516,709	2,516,709	1,923,454	(593,255)
EXPENDITURES				
Current:				
Health and welfare	3,271,311	3,271,311	2,604,197	667,114
Total expenditures	3,271,311	3,271,311	2,604,197	667,114
Excess of revenues over (under) expenditures	(754,602)	(754,602)	(680,743)	73,859
OTHER FINANCING SOURCES:				
Transfers in	754,602	754,602	754,602	-
Total other financing sources, net	754,602	754,602	754,602	-
Net change in fund balance	\$ -	\$ -	\$ 73,859	\$ 73,859

COUNTY OF ORANGE, VIRGINIA

SCHEDULE OF FUNDING PROGRESS – PENSION AND OTHER POST-EMPLOYMENT BENEFITS
June 30, 2012

VIRGINIA RETIREMENT SYSTEM

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
A. Primary Government						
June 30, 2009	\$ 18,737,536	\$ 20,814,931	\$ 2,077,395	90.02%	\$ 8,639,863	24.04%
June 30, 2010	\$ 19,329,284	\$ 23,925,600	\$ 4,596,316	80.79%	\$ 8,273,494	55.55%
June 30, 2011	\$ 20,205,201	\$ 25,431,903	\$ 5,226,702	79.45%	\$ 7,805,938	66.96%
B. Discretely Presented Component Unit – School Board:						
June 30, 2009	\$ 6,756,118	\$ 6,752,521	\$ (3,597)	100.05%	\$ 2,774,217	-0.13%
June 30, 2010	\$ 6,813,655	\$ 7,352,436	\$ 538,781	92.67%	\$ 2,683,616	20.08%
June 30, 2011	\$ 6,965,932	\$ 7,699,773	\$ 733,841	90.47%	\$ 2,660,688	27.58%

OTHER POST-EMPLOYMENT BENEFITS

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

COUNTY OF ORANGE, VIRGINIA

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2012

Note 1. The State of Virginia requires all county governments prepare, approve, adopt and execute an annual budget. The budgeting process is based on estimates of revenues and expenditures. The County budgets are prepared on a modified-accrual basis or accrual basis of accounting in accordance with generally accepted accounting principles.

The County maintains budgetary controls to ensure compliance with legal provisions in the appropriated budget approved by the Board of Supervisors. The level of budgetary control (the level at which expenditures cannot legally exceed the appropriated amount) is the department level and thus the budget to actual comparison is presented at this level. Amounts that do not fall under departmental control are categorized as nondepartmental even though they may relate to a particular function.

**OTHER
SUPPLEMENTARY INFORMATION**

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COUNTY OF ORANGE, VIRGINIA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2012

	Asset Forfeiture Fund	Law Library Fund	Totals
ASSETS			
Cash and cash equivalents	\$ 17,329	\$ 46,887	\$ 64,216
Accounts receivable, net	82	643	725
	<hr/>	<hr/>	<hr/>
Total assets	\$ 17,411	\$ 47,530	\$ 64,941
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	4,186	279	4,465
	<hr/>	<hr/>	<hr/>
Total liabilities	4,186	279	4,465
	<hr/>	<hr/>	<hr/>
Fund balances:			
Committed	13,225	47,251	60,476
	<hr/>	<hr/>	<hr/>
Total fund balances	13,225	47,251	60,476
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	\$ 17,411	\$ 47,530	\$ 64,941
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

COUNTY OF ORANGE, VIRGINIA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
Year Ended June 30, 2012**

	Asset Forfeiture Fund	Law Library Fund	Totals
REVENUES			
Revenue from the use of money and property	\$ 143	\$ -	\$ 143
Charges for services	-	7,197	7,197
Intergovernmental revenues:			
Commonwealth	3,478	-	3,478
Total revenues	<u>3,621</u>	<u>7,197</u>	<u>10,818</u>
EXPENDITURES			
Current:			
Judicial administration	-	2,048	2,048
Public safety	4,212	-	4,212
Total expenditures	<u>4,212</u>	<u>2,048</u>	<u>6,260</u>
Net change in fund balances	<u>(591)</u>	<u>5,149</u>	<u>4,558</u>
Fund balance, beginning	<u>13,816</u>	<u>42,102</u>	<u>55,918</u>
Fund balance, ending	<u><u>\$ 13,225</u></u>	<u><u>\$ 47,251</u></u>	<u><u>\$ 60,476</u></u>

COUNTY OF ORANGE, VIRGINIA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS
Year Ended June 30, 2012

	Asset Forfeiture Fund			Law Library Fund			Variance with Final Budget Positive (Negative)				
	Budgeted Amounts		Actual	Budgeted Amounts		Actual					
	Original	Final		Original	Final						
REVENUES											
Revenue from the use of money and property	\$	-	\$	143	\$	143	-				
Charges for services	-	-	-	-	5,000	5,000	7,197				
Intergovernmental revenues:											
Commonwealth	-	3,338	3,478	140	-	-	-				
Total revenues	-	3,338	3,621	283	5,000	5,000	7,197				
EXPENDITURES											
Current:											
Judicial administration	-	5,063	-	5,063	5,000	5,000	2,952				
Public safety	-	11,700	4,212	7,488	-	-	-				
Total expenditures	-	16,763	4,212	12,551	5,000	5,000	2,952				
Excess of revenues over (under) expenditures	-	(13,425)	(591)	12,834	-	5,149	5,149				
OTHER FINANCING SOURCE:											
Transfers in	-	13,425	-	13,425	-	-	-				
Total other financing source	-	13,425	-	13,425	-	-	-				
Net change in fund balances	\$	-	\$	(591)	\$	(591)	\$	5,149	\$	5,149	5,149

COUNTY OF ORANGE, VIRGINIA

COMBINING STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

June 30, 2012

	Special Welfare	Rapidan Hills Limited Partnership Fund	Commonwealth Fund	Bond Escrow Agency Fund	Total
ASSETS					
Cash and cash equivalents	\$ 55,084	\$ 7,763	\$ 26,899	\$ 287,808	\$ 377,555
Total assets	<u>\$ 55,084</u>	<u>\$ 7,763</u>	<u>\$ 26,899</u>	<u>\$ 287,808</u>	<u>\$ 377,555</u>
LIABILITIES					
Amounts held for others	\$ 55,084	\$ 7,763	\$ 26,899	\$ 287,808	\$ 377,555
Total liabilities	<u>\$ 55,084</u>	<u>\$ 7,763</u>	<u>\$ 26,899</u>	<u>\$ 287,808</u>	<u>\$ 377,555</u>

COUNTY OF ORANGE, VIRGINIA

**COMBINING STATEMENT OF CHANGES IN
ASSETS AND LIABILITIES
AGENCY FUNDS
Year Ended June 30, 2012**

	Beginning Balance	Additions	Deletions	Ending Balance
Special Welfare Fund				
ASSETS				
Cash and cash equivalents	\$ 61,504	\$ 156,612	\$ 163,032	\$ 55,084
Total assets	<u>\$ 61,504</u>	<u>\$ 156,612</u>	<u>\$ 163,032</u>	<u>\$ 55,084</u>
LIABILITIES				
Amounts held for others	\$ 61,504	\$ 156,612	\$ 163,032	\$ 55,084
Total liabilities	<u>\$ 61,504</u>	<u>\$ 156,612</u>	<u>\$ 163,032</u>	<u>\$ 55,084</u>
Rapidan Hills Limited Partnership				
ASSETS				
Cash and cash equivalents	\$ 7,763	\$ -	\$ -	\$ 7,763
Total assets	<u>\$ 7,763</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,763</u>
LIABILITIES				
Amounts held for others	\$ 7,763	\$ -	\$ -	\$ 7,763
Total liabilities	<u>\$ 7,763</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,763</u>
Commonwealth Fund				
ASSETS				
Cash and cash equivalents	\$ 208	\$ 26,691	\$ -	\$ 26,899
Accounts receivable	1,424	-	1,424	-
Total assets	<u>\$ 1,632</u>	<u>\$ 26,691</u>	<u>\$ 1,424</u>	<u>\$ 26,899</u>
LIABILITIES				
Amounts held for others	\$ 1,632	\$ 26,691	\$ 1,424	\$ 26,899
Total liabilities	<u>\$ 1,632</u>	<u>\$ 26,691</u>	<u>\$ 1,424</u>	<u>\$ 26,899</u>
Bond Escrow Agency Fund				
ASSETS				
Cash and cash equivalents	\$ 272,997	\$ 14,811	\$ -	\$ 287,808
Total assets	<u>\$ 272,997</u>	<u>\$ 14,811</u>	<u>\$ -</u>	<u>\$ 287,808</u>
LIABILITIES				
Amounts held for others	\$ 272,997	\$ 14,811	\$ -	\$ 287,808
Total liabilities	<u>\$ 272,997</u>	<u>\$ 14,811</u>	<u>\$ -</u>	<u>\$ 287,808</u>
Totals – All Agency Funds				
ASSETS				
Cash and cash equivalents	\$ 342,472	\$ 198,115	\$ 163,032	\$ 377,555
Accounts receivable	1,424	-	1,424	-
Total assets	<u>\$ 343,896</u>	<u>\$ 198,115</u>	<u>\$ 164,456</u>	<u>\$ 377,555</u>
LIABILITIES				
Amounts held for others	\$ 343,896	\$ 198,115	\$ 164,456	\$ 377,555
Total liabilities	<u>\$ 343,896</u>	<u>\$ 198,115</u>	<u>\$ 164,456</u>	<u>\$ 377,555</u>

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD

Major Governmental Funds

School Operating Fund

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

School Textbook Adoptions Fund

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

Adult Education Fund

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

Nonmajor Governmental Funds

School Cafeteria Fund

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

Employee Child Care Fund

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

Head Start Fund

The Head Start 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

COMBINING BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
Year Ended June 30, 2012

	School Operating Fund	School Textbook Adoptions Fund	Adult Education Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 2,441,844	\$ 914,469	\$ -	\$ 265,255	\$ 3,621,568
Accounts receivable, net	27,441	-	10,970	182	38,593
Due from other funds	28,171	-	-	-	28,171
Due from other governmental units	1,294,539	-	45,339	53,530	1,393,408
Total assets	<u>\$ 3,791,995</u>	<u>\$ 914,469</u>	<u>\$ 56,309</u>	<u>\$ 318,967</u>	<u>\$ 5,081,740</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Due to other funds	\$ -	\$ -	\$ 28,171	\$ -	\$ 28,171
Accounts payable	540,051	-	124	26,651	566,826
Accrued liabilities	3,240,186	-	15,042	151,716	3,406,944
Total liabilities	<u>3,780,237</u>	<u>-</u>	<u>43,337</u>	<u>178,367</u>	<u>4,001,941</u>
Fund balances:					
Committed	<u>11,758</u>	<u>914,469</u>	<u>12,972</u>	<u>140,600</u>	<u>1,079,799</u>
Total fund balances	<u>11,758</u>	<u>914,469</u>	<u>12,972</u>	<u>140,600</u>	<u>1,079,799</u>
Total liabilities and fund balances	<u>\$ 3,791,995</u>	<u>\$ 914,469</u>	<u>\$ 56,309</u>	<u>\$ 318,967</u>	<u>\$ 5,081,740</u>

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

Total fund balances – governmental funds	\$ 1,079,799
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	36,943,278
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	
Other post-employment benefits	(1,890,700)
Compensated absences	(1,460,794)
Capital lease payable	<u>(1,152,889)</u>
Net assets of governmental activities	<u>\$ 33,518,694</u>

COUNTY OF ORANGE, VIRGINIA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
Year Ended June 30, 2012**

	School Operating Fund	School Textbook Adoptions Fund	Adult Education Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Revenue from the use of money and property	\$ 16,773	\$ -	\$ -	\$ 207	\$ 16,980
Charges for services	77,359	5,851	24,258	894,805	1,002,273
Miscellaneous	160,319	-	16,795	-	177,114
Intergovernmental revenues:					
Local government	17,745,489	-	8,372	-	17,753,861
Commonwealth	21,254,521	-	90,340	25,459	21,370,320
Federal	3,203,004	-	150,404	2,250,013	5,603,421
Total revenues	<u>42,457,465</u>	<u>5,851</u>	<u>290,169</u>	<u>3,170,484</u>	<u>45,923,969</u>
EXPENDITURES					
Current:					
Education	43,089,707	212,085	290,221	3,192,148	46,784,161
Total expenditures	<u>43,089,707</u>	<u>212,085</u>	<u>290,221</u>	<u>3,192,148</u>	<u>46,784,161</u>
Excess (deficiency) of revenues over expenditures	<u>(632,242)</u>	<u>(206,234)</u>	<u>(52)</u>	<u>(21,664)</u>	<u>(860,192)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	346,054	-	15,647	361,701
Transfers out	(361,701)	-	-	-	(361,701)
Proceeds from capital lease	1,152,889	-	-	-	1,152,889
Total other financing sources and uses	<u>791,188</u>	<u>346,054</u>	<u>-</u>	<u>15,647</u>	<u>1,152,889</u>
Net change in fund balances	<u>158,946</u>	<u>139,820</u>	<u>(52)</u>	<u>(6,017)</u>	<u>292,697</u>
FUND BALANCES AT JULY 1	<u>(147,188)</u>	<u>774,649</u>	<u>13,024</u>	<u>146,617</u>	<u>787,102</u>
FUND BALANCES AT JUNE 30	<u>\$ 11,758</u>	<u>\$ 914,469</u>	<u>\$ 12,972</u>	<u>\$ 140,600</u>	<u>\$ 1,079,799</u>

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

Net change in fund balances – total governmental funds	\$ 292,697
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay	44,019,192
Depreciation expense	(2,911,401)
Allocation of debt financed school assets based on current year repayments and drawdowns of bond proceeds	<u>(31,662,793)</u>
	9,444,998
The issuance of long-term debt provides current financial resources, while the repayment of the principal of long-term debt consumes current financial resources. Neither transaction, however, has any effect on net assets.	(1,152,889)
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.	<u>(586,503)</u>
Change in net assets of governmental activities	<u><u>\$ 7,998,303</u></u>

COUNTY OF ORANGE, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
GOVERNMENTAL FUNDS – DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD**
Year Ended June 30, 2012

	School Operating Fund			School Textbook Adoptions Fund			Adult Education Fund		
	Budgeted Amounts		Variance with Final Budget Positive (Negative)	Budgeted Amounts		Variance with Final Budget Positive (Negative)	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original	Final		Original	Final		Original	Final	
		Actual			Actual			Actual	
REVENUES									
Revenue from the use of money and property	\$ 19,545	\$ 19,545	\$ (2,772)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	59,500	77,359	17,859	-	5,851	5,851	26,236	24,258	(1,978)
Miscellaneous	138,001	160,319	22,318	-	-	-	44,654	16,795	(27,859)
Intergovernmental revenues:									
Local government	17,404,639	18,759,034	(1,013,545)	-	-	-	14,156	8,372	(5,784)
Commonwealth	21,298,391	21,254,521	(43,870)	-	-	-	77,272	90,340	13,068
Federal	3,258,335	3,313,918	(110,914)	-	-	-	145,866	150,404	4,538
Total revenues	42,178,411	43,588,389	(1,130,924)	-	5,851	5,851	308,184	290,169	(18,015)
EXPENDITURES									
Current:									
Education	41,959,582	43,229,188	139,481	505,000	505,000	212,085	308,184	290,221	17,963
Total expenditures	41,959,582	43,229,188	139,481	505,000	505,000	212,085	308,184	290,221	17,963
Excess of revenues over expenditure	218,829	359,201	(991,443)	(505,000)	(505,000)	(206,234)	-	(52)	(52)
OTHER FINANCING SOURCES (USES)									
Transfers in	-	-	-	346,054	346,054	346,054	-	-	-
Transfers out	(361,701)	(361,701)	-	-	-	-	-	-	-
Proceeds from capital lease	-	-	1,152,889	-	-	-	-	-	-
Total other financing sources (uses)	(361,701)	(361,701)	1,152,889	346,054	346,054	346,054	-	-	-
Net change in fund balances	\$ (142,872)	\$ (2,500)	\$ 161,446	\$ (158,946)	\$ (158,946)	\$ 139,820	\$ -	\$ (52)	\$ (52)

COUNTY OF ORANGE, VIRGINIA

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
June 30, 2012

	School Cafeteria Fund	Employee Childcare Fund	Head Start Fund	Total
ASSETS				
Cash and cash equivalents	\$ 174,455	\$ 13,217	\$ 77,583	\$ 265,255
Accounts receivable, net	-	182	-	182
Due from other governmental units	53,530	-	-	53,530
Total assets	<u>\$ 227,985</u>	<u>\$ 13,399</u>	<u>\$ 77,583</u>	<u>\$ 318,967</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 18,958	\$ 235	\$ 7,458	\$ 26,651
Accrued liabilities	69,076	12,515	70,125	151,716
Total liabilities	<u>88,034</u>	<u>12,750</u>	<u>77,583</u>	<u>178,367</u>
Fund balances:				
Committed	139,951	649	-	140,600
Total fund balances	<u>139,951</u>	<u>649</u>	<u>-</u>	<u>140,600</u>
Total liabilities and fund balances	<u>\$ 227,985</u>	<u>\$ 13,399</u>	<u>\$ 77,583</u>	<u>\$ 318,967</u>

COUNTY OF ORANGE, VIRGINIA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – NONMAJOR SPECIAL REVENUE FUNDS –
DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
Year Ended June 30, 2012**

	School Cafeteria Fund	Employee Childcare Fund	Head Start Fund	Total
REVENUES				
Revenue from the use of money and property	\$ 207	\$ -	\$ -	\$ 207
Charges for services	775,422	119,383	-	894,805
Intergovernmental revenues:				
Commonwealth	25,459	-	-	25,459
Federal	991,758	-	1,258,255	2,250,013
Total revenues	<u>1,792,846</u>	<u>119,383</u>	<u>1,258,255</u>	<u>3,170,484</u>
EXPENDITURES				
Current:				
Education	<u>1,809,456</u>	<u>119,144</u>	<u>1,263,548</u>	<u>3,192,148</u>
Total expenditures	<u>1,809,456</u>	<u>119,144</u>	<u>1,263,548</u>	<u>3,192,148</u>
Excess (deficiency) of revenues over expenditures	<u>(16,610)</u>	<u>239</u>	<u>(5,293)</u>	<u>(21,664)</u>
OTHER FINANCING SOURCES				
Transfers in	<u>15,647</u>	<u>-</u>	<u>-</u>	<u>15,647</u>
Total other financing sources	<u>15,647</u>	<u>-</u>	<u>-</u>	<u>15,647</u>
Net change in fund balances	(963)	239	(5,293)	(6,017)
FUND BALANCES AT JULY 1	<u>140,914</u>	<u>410</u>	<u>5,293</u>	<u>146,617</u>
FUND BALANCES AT JUNE 30	<u><u>\$ 139,951</u></u>	<u><u>\$ 649</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 140,600</u></u>

COUNTY OF ORANGE, VIRGINIA

BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT
ECONOMIC DEVELOPMENT AUTHORITY
June 30, 2012

ASSETS

Cash and cash equivalents	\$ 1,317,924
Total assets	<u>\$ 1,317,924</u>

LIABILITIES AND FUND BALANCE

Liabilities:

Accounts payable	\$ 1,070
Total liabilities	<u>1,070</u>

Fund balance:

Assigned	<u>1,316,854</u>
Total fund balance	<u>1,316,854</u>
Total liabilities and fund balance	<u>\$ 1,317,924</u>

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

Total fund balance	\$ 1,316,854
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>129,172</u>
Net assets of governmental activities	<u>\$ 1,446,026</u>

COUNTY OF ORANGE, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
DISCRETELY PRESENTED COMPONENT UNIT
ECONOMIC DEVELOPMENT AUTHORITY
Year Ended June 30, 2012

REVENUES

Revenue from the use of money and property	\$ 4,083
Intergovernmental revenues:	
Contribution from County	<u>76,800</u>
Total revenues	<u>80,883</u>

EXPENDITURES

Current:	
Community development	<u>21,271</u>
Total expenditures	<u>21,271</u>

Net change in fund balance	<u>59,612</u>
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FUND BALANCE AT JULY 1	<u>1,257,242</u>
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FUND BALANCE AT JUNE 30	<u><u>\$ 1,316,854</u></u>
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There are no differences between the amounts reported above as the change in fund balance and the amounts reported as changes in net assets on the statement of activities (Exhibit 2).

STATISTICAL SECTION

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

<u>Contents</u>	<u>Table</u>
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 These schedules contain information about the County's operations and resources to help the reader understand how the County's financial information relates to the services the County provides and the activities it performs.	13

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

TABLE 1

COUNTY OF ORANGE, VIRGINIA

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

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Governmental activities										
Invested in capital assets, net of related debt	\$ 2,422,835	\$ 11,254,062	\$ 6,973,273	\$ 5,816,416	\$ 6,899,872	\$ 4,870,909	\$ 9,363,277	\$ 7,389,293	\$ 3,762,291	\$ 2,823,689
Unrestricted	20,175,732	19,290,317	19,826,534	21,206,936	22,349,138	23,236,212	24,799,517	21,901,113	17,045,551	8,289,588
Total governmental activities net assets	22,598,567	30,544,379	26,799,807	27,023,352	29,249,010	28,107,121	34,162,794	29,290,406	20,807,842	11,113,277
Business-type activities										
Invested in capital assets, net of related debt	12,913,544	11,649,754	9,873,370	9,337,495	8,274,862	-	-	-	-	-
Unrestricted	2,018,586	2,666,307	2,342,618	1,355,176	828,666	-	-	-	-	-
Total business-type activities net assets	14,932,130	14,316,061	12,215,988	10,692,671	9,103,528	-	-	-	-	-
Primary government										
Invested in capital assets, net of related debt	15,336,379	22,903,816	16,846,643	15,153,911	15,174,734	10,627,209	9,363,277	7,389,293	3,762,291	2,823,689
Unrestricted	22,194,318	21,956,624	22,169,152	22,562,112	23,177,804	24,398,220	24,799,517	21,901,113	17,045,551	8,289,588
Total primary government net assets	\$ 37,530,697	\$ 44,860,440	\$ 39,015,795	\$ 37,716,023	\$ 38,352,538	\$ 35,025,429	\$ 34,162,794	\$ 29,290,406	\$ 20,807,842	\$ 11,113,277

COUNTY OF ORANGE, VIRGINIA

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

Expenses	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Governmental activities										
General government	\$ 3,147,031	\$ 3,568,522	\$ 4,859,717	\$ 5,107,926	\$ 3,387,068	\$ 3,003,694	\$ 2,763,001	\$ 2,341,890	\$ 1,646,727	\$ 1,790,631
Judicial administration	1,591,338	1,496,249	1,320,372	1,471,735	1,377,117	1,240,757	1,181,123	1,101,740	945,917	954,897
Public safety	9,801,548	9,755,361	10,017,491	9,951,868	8,715,289	8,695,463	6,247,025	5,393,425	4,585,509	4,033,313
Public works	790,439	642,287	679,892	800,019	616,698	1,218,688	1,539,839	1,880,492	1,063,492	1,635,586
Health and welfare	5,981,549	6,471,864	5,235,344	4,579,632	4,490,368	3,790,421	3,518,227	3,516,557	3,263,359	3,066,903
Education	28,150,265	19,494,387	19,675,748	20,716,819	20,282,099	17,154,592	18,215,899	11,331,591	17,949,742	16,140,469
Parks, recreation, and cultural	1,255,820	1,074,565	1,645,909	1,766,622	2,646,279	2,583,963	2,189,340	1,968,330	1,768,321	1,587,098
Community development	1,027,386	1,013,298	1,506,794	1,542,893	1,737,481	2,167,702	1,720,063	665,415	861,578	1,147,338
Interest	4,124,114	4,388,109	3,749,091	2,629,414	2,690,659	2,617,981	2,810,123	2,635,332	2,790,069	3,060,620
Total governmental activities	55,869,490	47,904,642	48,690,358	48,566,928	45,943,058	42,473,261	40,184,640	30,834,772	34,874,714	33,416,855
Business-type activities										
Airport	898,525	840,425	733,545	548,514	568,900	-	-	-	-	-
Landfill	2,111,304	3,347,359	2,246,931	2,616,278	3,161,506	-	-	-	-	-
Total business-type activities expense	3,009,829	4,187,784	2,980,476	3,164,792	3,730,406	-	-	-	-	-
Total primary government expenses	58,879,319	52,092,426	51,670,834	51,731,720	49,673,464	42,473,261	40,184,640	30,834,772	34,874,714	33,416,855
Program revenues										
Governmental activities										
Charges for services										
General government	1,100,931	1,771,477	-	-	-	-	-	-	-	-
Judicial administration	219,673	340,045	68,202	31,787	87,693	155,591	168,416	215,273	80,264	51,601
Public safety	1,606,510	1,317,980	1,512,408	1,267,967	960,636	911,715	985,938	893,633	664,997	174,905
Public works	-	-	-	166,136	292,287	543,931	502,646	358,607	403,609	267,471
Education	185,123	271,022	-	-	-	-	-	-	-	-
Parks, recreation, and cultural	154,866	134,921	432,304	522,889	1,012,648	1,084,077	967,809	816,855	737,063	615,252
Community development	-	-	505	-	-	-	2,960	3,189	816	3,825
Operating grants and contributions	5,836,506	7,393,931	6,034,820	5,791,917	5,568,166	5,805,572	5,132,282	4,775,102	4,421,239	4,121,566
Capital grants and contributions	-	47,546	625,490	661,450	878,745	1,114,046	1,709,449	1,418,746	331,373	1,581,316
Total governmental activities program revenues	9,103,609	11,276,922	8,673,729	8,442,146	8,800,175	9,614,932	9,469,500	8,481,405	6,639,361	6,815,936
Business-type activities										
Charges for services										
Airport	470,543	417,480	307,756	223,071	285,453	-	-	-	-	-
Landfill	333,339	309,195	255,400	317,267	531,189	-	-	-	-	-
Operating grants and contributions	9,296	11,568	538,546	965,798	1,766,434	-	-	-	-	-
Capital grants and contributions	605,634	1,144,325	-	-	-	-	-	-	-	-
Total business-type activities program revenues	1,418,812	1,882,568	1,101,702	1,506,136	2,583,076	-	-	-	-	-
Total primary government program revenues	10,522,421	13,159,490	9,775,431	9,948,282	11,383,251	9,614,932	9,469,500	8,481,405	6,639,361	6,815,936

(Continued)

COUNTY OF ORANGE, VIRGINIA

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

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Net (expense) revenue										
Governmental activities	\$ (46,765,881)	\$ (36,627,720)	\$ (40,016,629)	\$ (40,124,782)	\$ (37,142,883)	\$ (32,858,329)	\$ (30,715,140)	\$ (22,353,370)	\$ (28,235,353)	\$ (26,600,919)
Business-type activities	(1,591,017)	(2,505,216)	(1,878,774)	(1,658,656)	(1,147,350)	(1,192,828)	-	-	-	-
Total primary government net expense	(48,356,898)	(38,932,936)	(41,895,403)	(41,783,438)	(38,290,213)	(34,051,157)	(30,715,140)	(22,353,370)	(28,235,353)	(26,600,919)
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes										
Property taxes	33,228,086	32,155,490	31,599,974	30,690,664	28,715,860	25,212,472	23,299,421	21,598,071	29,538,450	18,606,397
Local sales and use	1,867,506	1,740,887	1,679,256	1,825,239	2,065,302	2,102,596	2,073,563	1,941,534	1,835,213	1,685,245
Consumers' utility taxes	2,024,767	2,086,617	2,050,682	2,091,128	2,174,844	1,087,064	1,003,459	824,666	865,991	836,980
Consumption taxes	89,117	101,613	90,711	91,249	88,810	87,131	122,586	78,857	101,583	73,830
Cable franchise taxes	-	-	-	-	-	71,315	61,553	57,292	51,518	49,605
E-911 taxes	-	-	-	-	-	188,853	355,080	394,164	362,019	378,939
Cellular phone taxes	-	-	-	-	-	193,332	313,258	323,304	261,143	212,948
Motor vehicle license taxes	662,916	652,932	677,609	662,465	626,497	35,106	648,453	617,435	583,312	561,490
Taxes on recordation and wills	379,057	381,132	455,274	471,439	699,013	794,539	1,180,858	818,847	439,586	360,837
Restaurant food taxes	631,748	577,864	510,629	514,019	540,904	541,263	429,096	409,958	340,754	332,144
Other local taxes	143,343	152,660	115,720	83,338	93,386	84,397	92,602	102,631	83,040	144,306
Permits, privilege fees, and regulatory licenses	-	-	-	-	-	-	-	-	-	366,971
Unrestricted revenues from use of money and property:										
Miscellaneous	234,352	354,819	1,974,347	1,006,373	2,091,066	1,414,945	1,285,767	630,817	484,998	841,844
Transfers	294,343	491,702	580,009	690,938	676,056	195,531	1,508,103	297,771	221,720	304,424
Unrestricted grants and contributions	2,948,932	2,945,313	2,978,545	2,974,228	3,024,981	2,870,001	3,213,729	2,810,083	2,760,591	2,667,730
Transfers	(2,145,373)	(3,890,516)	(3,295,789)	(3,201,956)	(2,485,976)	(3,087,955)	-	-	-	-
Total governmental activities	40,358,794	37,750,513	39,416,967	37,899,124	38,310,743	31,790,590	35,587,528	30,905,430	37,929,918	27,423,690
Business-type activities:										
Unrestricted revenues from use of money and property:										
Miscellaneous	-	-	-	40,775	33,880	35,247	-	-	-	-
Transfers	61,713	48,104	106,302	5,068	-	-	-	-	-	-
	2,145,373	3,890,516	3,295,789	3,201,956	2,485,976	3,087,955	-	-	-	-
Total business-type activities	2,207,086	3,938,620	3,402,091	3,247,799	2,519,856	3,123,202	-	-	-	-
Total primary government	42,565,880	41,689,133	42,819,058	41,146,923	40,830,599	34,913,792	35,587,528	30,905,430	37,929,918	27,423,690
Changes in Net Assets										
Governmental activities	(6,407,087)	1,122,793	(599,662)	(2,225,658)	1,167,860	(1,067,739)	4,872,388	8,552,060	9,694,565	822,771
Business-type activities	616,069	1,633,404	1,523,317	1,589,143	1,372,526	1,930,374	-	-	-	-
Total primary government	\$ (5,791,018)	\$ 2,756,197	\$ 923,655	\$ (636,515)	\$ 2,540,386	\$ 862,635	\$ 4,872,388	\$ 8,552,060	\$ 9,694,565	\$ 822,771

COUNTY OF ORANGE, VIRGINIA

FUND BALANCES – GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

UNAUDITED

	2012	2011		2008	2007	2006	2005	2004	2003
General Fund									
Committed	\$ 144,000	\$ -							
Assigned	1,743,994	2,488,194							
Unassigned	17,583,447	17,101,685							
Total general fund	<u>\$ 19,471,441</u>	<u>\$ 19,589,879</u>							
All Other Governmental Funds									
Restricted	\$ -	\$ 2,387,117							
Committed	289,624	211,209							
Assigned	1,747,670	2,383,275							
Unassigned	-	(107,010)							
Total all other governmental funds	<u>\$ 2,037,294</u>	<u>\$ 4,874,591</u>							
General Fund									
Reserved	\$ -	\$ -	\$ -	\$ -	\$ 11,924,047	\$ 10,926,181	\$ 10,299,878	\$ -	\$ -
Unreserved	17,204,546	17,204,546	15,756,672	6,010,892	7,106,515	8,763,365	21,251,381	18,830,090	
Total general fund	<u>\$ 17,204,546</u>	<u>\$ 17,204,546</u>	<u>\$ 15,756,672</u>	<u>\$ 17,934,939</u>	<u>\$ 18,032,696</u>	<u>\$ 19,063,243</u>	<u>\$ 21,251,381</u>	<u>\$ 18,830,090</u>	
All Other Governmental Funds									
Reserved	\$ 10,052,344	\$ 34,667,985	\$ 1,371,161	\$ 2,265,476	\$ 3,427,367	\$ 2,415,367	\$ 1,372,806	\$ -	
Unreserved, reported in:									
Special revenue fund	487,893	400,645	238,715	126,342	915,799	399,756	581,870	276,989	
Debt services fund	489,312	1,209,197	-	-	-	-	-	-	
Capital projects fund	2,810,885	3,699,353	21,400,988	4,536,111	5,727,834	4,146,299	7,999,083	30,777,443	
Total all other governmental funds	<u>\$ 13,840,434</u>	<u>\$ 39,977,180</u>	<u>\$ 23,010,864</u>	<u>\$ 6,927,929</u>	<u>\$ 10,071,000</u>	<u>\$ 6,961,422</u>	<u>\$ 9,953,759</u>	<u>\$ 31,054,432</u>	

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

TABLE 4

COUNTY OF ORANGE, VIRGINIA
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
UNAUDITED

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
REVENUES										
General property taxes	\$ 33,241,812	\$ 32,506,482	\$ 31,547,517	\$ 30,505,130	\$ 28,258,629	\$ 25,565,511	\$ 23,602,447	\$ 21,705,461	\$ 28,630,362	\$ 18,608,288
Other local taxes	5,798,454	5,693,705	5,579,881	5,738,877	6,288,756	5,185,596	6,280,508	5,568,688	4,924,159	4,636,324
Permits, privilege fees, and regulatory licenses	304,007	225,857	171,857	178,415	306,181	550,158	623,031	675,005	465,707	366,971
Fines and forfeitures	337	50,182	38,798	260	407	1,956	1,422	1,102	1,049	1,151
Revenue from use of money and property	234,352	354,819	1,974,347	1,006,373	2,089,726	1,414,945	1,285,767	630,817	484,998	841,844
Charges for services	1,626,213	1,787,930	1,802,764	1,810,104	2,046,676	2,143,200	2,003,316	1,611,450	1,419,993	1,101,903
Miscellaneous	294,343	491,702	580,009	720,399	676,056	195,531	1,508,103	297,771	221,720	304,424
Recovered costs	1,620,931	2,266,476	214,018	163,170	171,527	60,490	286,981	219,577	299,298	148,211
Intergovernmental:										
Local government	-	-	-	-	-	-	36,269	-	-	-
Commonwealth	7,751,463	8,988,937	7,669,016	7,288,382	7,004,007	6,692,331	6,966,667	6,174,105	5,895,673	6,093,544
Federal	1,033,975	1,397,853	1,969,839	2,139,213	2,469,225	3,097,288	3,052,524	2,829,826	1,617,530	2,277,068
Total revenues	51,905,887	53,763,943	51,548,046	49,550,323	49,311,190	44,907,006	45,647,035	39,713,802	43,960,489	34,389,728
EXPENDITURES										
General government	2,721,480	2,717,558	2,967,297	3,334,401	2,936,254	2,621,032	2,268,798	1,979,038	1,659,099	1,541,731
Judicial administration	1,487,657	1,402,807	1,386,268	1,485,689	1,407,439	1,283,875	1,174,246	1,099,273	965,949	950,529
Public safety	9,307,451	9,241,293	9,156,532	9,046,350	8,476,543	8,253,771	6,294,257	5,524,201	4,324,133	3,906,290
Public works	739,907	749,891	695,733	932,482	697,084	613,288	2,061,668	1,714,695	1,438,725	1,390,671
Health and welfare	5,581,402	6,066,615	5,247,601	4,550,477	4,482,198	3,774,708	3,492,498	3,516,108	3,458,184	3,035,056
Education	17,777,521	16,357,351	16,863,445	17,726,509	17,148,492	15,406,279	15,352,687	12,380,334	12,994,395	14,304,597
Parks, recreation, and cultural	1,168,824	1,010,633	1,441,339	1,750,969	2,650,633	2,514,024	2,145,518	1,891,866	1,692,525	1,523,280
Community development	960,472	947,721	1,453,749	1,541,267	1,681,742	2,146,077	1,362,168	1,077,812	963,910	1,215,602
Nondepartmental	56,646	79,648	64,989	70,641	1,929	1,386	75,188	22,496	20,485	9,916
Capital projects	3,203,261	7,642,665	25,991,675	17,978,293	12,756,559	2,447,742	5,611,190	6,330,765	21,895,739	22,058,313
Debt service:										
Principal	5,248,884	5,612,231	4,053,986	3,528,930	3,011,120	2,825,416	3,320,548	2,003,081	3,351,197	3,438,996
Interest and fiscal charges	4,462,741	4,738,377	3,994,632	2,849,764	2,574,325	2,914,272	2,554,408	2,675,684	2,875,970	2,660,482
Bond issuance costs	-	-	-	161,844	636,298	-	-	-	-	-
Total expenditures	52,716,246	56,566,790	73,317,246	64,957,616	58,460,616	44,801,870	45,713,174	40,215,353	55,640,311	56,035,463
Excess of revenues over (under) expenditures	(810,359)	(2,802,847)	(21,769,200)	(15,407,293)	(9,149,426)	105,136	(66,139)	(501,551)	(11,679,822)	(21,645,735)
OTHER FINANCING SOURCES (USES)										
Transfers in	11,345,608	9,156,316	9,086,109	8,694,491	9,288,064	6,891,911	6,090,826	4,996,596	3,140,289	3,349,787
Transfers out	(13,490,981)	(13,046,832)	(12,381,898)	(11,896,447)	(11,774,040)	(9,979,866)	(6,090,826)	(4,996,596)	(3,140,289)	(3,349,787)
Bonds issued	-	-	-	30,550,000	5,220,000	-	15,214,434	-	-	28,046,200
Premium on bonds issued	-	-	-	2,847,298	280,267	-	773,145	-	-	-
Proceeds on capital leases	-	-	-	-	1,644,968	-	-	-	-	-
Refunding of bonds	-	-	-	-	31,235,000	-	(15,000,000)	-	-	-
Discount on lease revenue and refunding bonds	-	-	-	-	(724,544)	-	-	-	-	-
Payment to bond escrow agent	-	-	-	-	(10,359,432)	-	-	-	-	-
Total other financing sources (uses)	(2,145,373)	(3,890,516)	(3,295,789)	30,195,342	24,810,283	(3,087,955)	987,579	-	-	28,046,200
Net change in fund balances	\$ (2,955,732)	\$ (6,693,363)	\$ (25,064,989)	\$ 14,788,049	\$ 15,660,857	\$ (2,982,819)	\$ 921,440	\$ (501,551)	\$ (11,679,822)	\$ 6,400,465
Debt service as a percentage of noncapital expenditures	24.21%	26.83%	20.80%	15.71%	12.22%	13.55%	14.65%	13.81%	18.45%	17.95%

TABLE 5

COUNTY OF ORANGE, VIRGINIA
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
UNAUDITED

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
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
2007	3,832,636,100	273,206,951	1,341,183,300	(594,753,400)	138,373,058	0.420	324,623,641	2.200	6,376,260	0.420	67,804,289	1.831	38,535,558	0.400
2006	1,703,444,000	140,473,400	453,776,600	(89,432,700)	60,793,710	0.870	303,837,917	2.200	7,391,460	0.870	59,068,436	1.831	37,568,681	0.400
2005	1,566,939,300	131,423,200	449,218,600	(92,575,300)	70,530,610	0.840	274,370,387	2.200	7,604,983	0.840	60,500,467	1.831	34,972,515	0.400
2004	1,464,700,700	125,153,300	441,064,100	(93,412,300)	90,025,477	0.840	241,849,727	2.200	7,839,828	0.840	56,029,585	1.831	34,901,761	0.400
2003	645,055,500	53,344,900	428,050,000	(91,679,000)	120,346,178	0.810	238,340,298	2.200	8,258,550	0.810	60,485,416	1.831	34,456,222	0.400

(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, RV's were included with boats because they were taxes at the same rate. Campers were included in regular personal property until 2012 when the Board decided RV's and Campers should have the same rate.

Source: Commissioner of Revenue

TABLE 5

COUNTY OF ORANGE, VIRGINIA
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY (CONTINUED)
LAST TEN FISCAL YEARS
UNAUDITED

Tax Year	Business and Heavy Equipment (4)	Personal Property (Continued)										Total Taxable Assessed Value	Direct* Tax Rate per \$100	
		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
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	0.921
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	0.635
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	0.630
2008	-	-	-	-	3,711,290	0.550	11,582,732	1.650	-	-	213,094	3.270	5,563,686,799	0.663
2007	-	-	-	-	3,403,890	0.550	9,652,980	1.650	-	-	222,651	2.200	5,441,267,278	0.592
2006	-	-	-	-	3,688,380	0.550	9,291,537	1.650	-	-	147,171	2.200	2,690,048,592	0.656
2005	-	-	-	-	2,136,935	0.550	8,162,686	1.650	611,355	0.920	166,575	2.200	2,514,062,313	1.034
2004	-	-	-	-	1,248,935	0.550	7,377,229	1.650	-	-	130,549	2.200	2,376,908,891	0.998
2003	-	-	-	-	1,294,555	0.550	7,131,398	1.650	-	-	147,782	2.200	1,505,231,799	1.066

(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 taxes 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

COUNTY OF ORANGE, VIRGINIA

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

Tax Year	Direct Rates*							Total Direct Rate
	Real Estate (2)	Personal Property (2,3)	Mobile Homes	Machinery and Tools (2)	Merchants' Capital	Business Equipment	Airplanes	Boats
2012	0.655	0.224	0.001	0.014	0.004	0.02	-	0.005
2011	0.457	0.141	0.001	0.015	0.002	0.01	-	0.004
2010	0.457	0.138	0.001	0.016	0.003	0.01	-	0.003
2009	0.457	0.135	0.001	0.017	0.003	0.01	-	0.004
2008	0.430	0.207	0.001	0.021	0.003	-	-	0.001
2007	0.431	0.131	0.001	0.023	0.003	-	-	0.003
2006	0.354	0.249	0.001	0.040	0.006	-	0.001	0.006
2005	0.736	0.240	0.003	0.044	0.006	-	0.001	0.005
2004	0.717	0.224	0.003	0.043	0.006	-	-	0.005
2003	0.622	0.349	0.004	0.074	0.009	-	-	0.008

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
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
2007	0.114	0.600	0.066	0.095	0.800	0.170
2006	0.114	0.600	0.066	0.170	0.800	0.170
2005	0.240	0.600	0.066	0.170	0.800	0.170
2004	0.240	0.600	0.066	0.170	0.800	0.170
2003	0.180	0.600	0.066	0.170	0.800	0.170

(1) Per \$100 of assessed value

(2) Includes Public Service Companies

TABLE 7

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

Taxpayer	Type of Business	2012			2003		
		Assessed Value (1)	Rank	Percentage of Total Taxable Assessed Value	Assessed Value (1)	Rank	Percentage of Total Taxable Assessed Value
VanHoven Enterprises, LLC	Horticulture	\$ 30,346,800	1	0.81%	\$ -		0.00%
Aerojet General Corp	Manufacturing	18,664,400	2	0.50%	11,183,200	2	0.97%
Holtzbrinck Publishers	Book Distributor	18,339,500	3	0.49%	22,831,800	1	1.98%
Orange Village	Shopping Center	9,344,100	4	0.25%	4,929,800	3	0.43%
Barboursville Corporation	Winery	7,945,300	5	0.21%	2,858,500	10	0.25%
American Color Inc.	Horticulture	7,618,200	6	0.20%	-	n/a	0.00%
American Woodmark	Manufacturing	6,658,400	7	0.18%	3,699,300	5	0.32%
PMC Distribution	Manufacturing	5,598,700	8	0.15%	-	n/a	0.00%
Schooler Prop of Wilderness	Shopping Center	4,906,200	9	0.13%	2,942,300	9	0.25%
One America Place	Manufacturing	4,529,400	10	0.12%	3,292,700	8	0.29%
General Shale	Manufacturing	-	n/a	0.00%	3,910,450	4	0.34%
Liberty Fabrics	Manufacturing	-	n/a	0.00%	3,242,500	6	0.28%
Round Hill Company	Hotel	-	n/a	0.00%	3,309,700	7	0.29%
Total Principal Property Tax Payers' Assessed Values		113,951,000		3.02%	62,200,250		5.38%
All Other Tax Payers' Assessed Values		3,654,430,840		96.98%	1,092,917,328		94.62%
Total Annual Assessed Values		<u>\$ 3,768,381,840</u>		<u>100.00%</u>	<u>\$ 1,155,117,578</u>		<u>100.00%</u>

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

Source: Commissioner of Revenue

TABLE 8

COUNTY OF ORANGE, VIRGINIA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2012	\$ 32,995,952	\$ 32,237,484	97.70%	\$ -	\$ 32,237,484	97.70%
2011	31,815,752	31,299,234	98.38%	161,679	31,460,913	98.88%
2010	31,189,040	30,128,613	96.60%	882,814	31,011,427	99.43%
2009	31,114,223	29,624,406	95.21%	1,385,714	31,010,120	99.67%
2008	28,931,323	28,369,702	98.06%	623,740	28,993,442	100.21%
2007	25,148,884	24,720,477	98.30%	424,807	25,145,284	99.99%
2006	23,323,620	22,722,591	97.42%	599,399	23,321,990	99.99%
2005	21,643,012	21,022,481	97.13%	619,867	21,642,348	100.00%
2004	31,352,454	30,334,042	96.75%	1,018,139	31,352,181	100.00%
2003	20,899,564	20,395,286	97.59%	503,778	20,899,064	100.00%

Source: Commissioner of Revenue, County Treasurer's Office

TABLE 9

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

Fiscal Year	Governmental Activities				Total Primary Government	Percentage of Personal Income (1)	Debt Per Capita (1)
	General Obligation Bonds	Literary Fund Loans	Other Notes/ Bonds	Capital Leases			
2012	\$ 61,063,084	\$ -	\$ 28,775,000	\$ 1,050,901	\$ 90,888,985	N/A	2,626
2011	65,397,332	-	29,535,000	1,205,537	96,137,869	N/A	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
2007	43,021,209	-	9,900,000	894,582	53,815,791	5.94%	1,937
2006	45,569,781	-	9,900,000	1,281,452	56,751,233	6.83%	2,017
2005	32,543,400	-	24,900,000	1,640,802	59,084,202	7.11%	2,128
2004	34,148,800	43,800	24,900,000	1,977,483	61,070,083	7.50%	2,326
2003	37,141,200	87,100	24,900,000	2,292,980	64,421,280	8.80%	1,464

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

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

TABLE 10

COUNTY OF ORANGE, VIRGINIA

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

Fiscal Year Ended June 30	Gross Bonded Debt	Less: Amounts Reserved for Debt Service	Net Bonded Debt	Ratio of Net General Obligation Debt to Assessed Value	Net Bonded Debt per Capita (1)
2012	\$ 61,063,084	\$ -	\$ 61,063,084	0.00%	\$ -
2011	65,397,332	-	65,397,332	0.00%	-
2010	102,404,572	489,312	101,915,260	1.67%	2,986
2009	106,190,630	1,209,197	104,981,433	1.72%	3,168
2008	75,917,740	1,371,161	74,546,579	1.21%	2,263
2007	52,921,209	2,265,476	50,655,733	0.76%	1,614
2006	55,469,781	3,427,367	52,042,414	1.89%	1,776
2005	57,443,400	2,415,367	55,028,033	2.16%	1,878
2004	59,092,600	1,372,806	57,719,794	2.40%	2,011
2003	62,128,300	-	62,128,300	3.00%	2,243

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

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

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

COUNTY OF ORANGE, VIRGINIA
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)
2012	34,616	N/A	N/A	-	5,020	6.70%
2011	33,938	N/A	N/A	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%
2007	31,387	906,205,464	28,872	40-44.9	4,869	2.90%
2006	29,300	830,772,200	28,354	40-44.9	4,614	2.80%
2005	29,300	830,772,200	28,354	40-44.9	4,295	2.80%
2004	28,700	813,759,800	28,354	40-44.9	4,077	3.10%
2003	27,700	732,166,400	26,432	40-44.9	3,988	3.80%

(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

TABLE 12

COUNTY OF ORANGE, VIRGINIA

PRINCIPAL EMPLOYERS

CURRENT YEAR AND NINE YEARS AGO

UNAUDITED

Employer	2012			2003		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Orange County Nursing Home/ Dogwood Village	297	1	2.03%	-	-	0.00%
MPS	290	2	1.98%	293	1	2.14%
Battlefield Farms	200	3	1.37%	111	9	0.81%
American Woodmark Corporation	189	4	1.29%	289	2	2.11%
Germanna Community College	180	5	1.23%	260	3	1.90%
Aerojet General Corporation	157	6	1.07%	194	5	1.42%
Ridgid Tool Manufacturing	135	7	0.92%	189	6	1.38%
Food Lion	129	8	0.88%	132	7	0.96%
PBM Products, LLC a Perrigo Co	119	9	0.81%	93	10	0.68%
McDonalds	105	10	0.72%	-	-	0.00%
Zamma Corporation	87	11	0.59%	84	11	0.61%
Klockner-Intertrans Carrier	82	12	0.56%	78	13	0.57%
American Press	-		0.00%	219	4	1.60%
AB& C Group	-		0.00%	129	8	0.94%
Hafner	-		0.00%	79	12	0.58%
	<u>1,970</u>		<u>13.44%</u>	<u>2,150</u>		<u>15.72%</u>
Total County Employment	14,652			13,688		

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

TABLE 13

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

Function	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Public safety										
Sheriff's department: (1)										
Physical arrests	994	804	840	847	996	1,059	331	976	945	917
Traffic violations	2,017	2,429	3,320	3,260	2,294	1,328	320	1,894	1,889	1,636
Civil papers	10,379	10,679	11,051	11,920	11,648	11,361	3,893	11,068	11,977	11,204
Fire and rescue:										
Number of calls answered	6,834	5,463	5,696	4,686	5,385	5,281	4,174	5,248	5,131	5,477
Building inspections:										
Permits issued	693	633	679	675	985	1,207	980	1,514	1,240	1,088
Animal control:										
Number of calls answered (1)	1,385	1,319	1,213	658	767	947	8,370	25,162	21,508	22,161
Public works										
General maintenance:										
Trucks/vehicles	3	3	3	3	16	15	15	13	12	12
Landfill:										
Refuse collected (total tons per year)	25,985	33,269	35,946	44,914	47,762	76,656	71,866	56,600	44,211	38,583
Recycling (total tons per year)	1,733	1,561	2,076	2,343	4,035	N/A	881	876	N/A	N/A
Health and welfare										
Department of Social Services (reported by calendar year):										
Eligibility Caseload	N/A	4,406	5,542	3,466	4,035	N/A	3,084	2,700	3,003	2,077
Adult Protective Service Caseload	N/A	365	330	351	275	N/A	N/A	N/A	N/A	N/A
Child Abuse Service Caseload	N/A	273	262	237	267	N/A	N/A	N/A	N/A	N/A
Culture and recreation										
Parks and recreation:										
After-school program participants	99	196	177	-	461	379	360	315	274	226
Youth sports participants	931	456	439	364	1,864	1,139	866	1,262	915	938
Community development										
Planning:										
Zoning permits issued	283	252	355	337	497	764	695	1,276	1,079	831
Component Unit – School Board										
Education:										
Average Daily Membership (ADM)	5,023	5,027	5,058	5,110	5,044	4,869	4,614	4,295	4,077	3,988
Number of teachers	339	346	391	388	386	390	N/A	347	316	314
Local expenditures per pupil	3,198	3,216	n/a	3,458	3,418	3,280	N/A	3,006	3,388	3,078
Employee Population										
General administration	101	31	38	35	38	N/A	N/A	N/A	N/A	N/A
Judicial administration	11	16	23	23	23	N/A	N/A	N/A	N/A	N/A
Public safety	100	93	126	114	109	N/A	N/A	N/A	N/A	N/A
Public works	9	8	8	6	8	N/A	N/A	N/A	N/A	N/A
Health and welfare	-	-	3	2	3	N/A	N/A	N/A	N/A	N/A
Education	-	-	-	-	-	N/A	N/A	N/A	N/A	N/A
Parks, recreation, and cultural	20	35	62	58	90	N/A	N/A	N/A	N/A	N/A
Community development	7	9	10	10	13	N/A	N/A	N/A	N/A	N/A
Non-departmental	45	-	-	-	-	N/A	N/A	N/A	N/A	N/A
Airport	3	4	4	4	5	N/A	N/A	N/A	N/A	N/A
Landfill	31	33	36	34	36	N/A	N/A	N/A	N/A	N/A
Capital Assets (net of accumulated depreciation)										
Primary Government										
Construction in Progress	27,565	33,407,993	34,547,274	11,216,972	15,059,115	N/A	N/A	N/A	N/A	N/A
Land	1,232,342	1,576,307	2,200,610	2,137,160	2,166,621	N/A	N/A	N/A	N/A	N/A
Buildings and System	72,352,388	62,817,950	70,720,803	71,812,752	56,312,185	N/A	N/A	N/A	N/A	N/A
Furniture, Equipment & Vehicles	1,809,173	3,356,307	3,563,241	4,251,918	1,979,866	N/A	N/A	N/A	N/A	N/A
Component Unit School Board										
Construction in Progress	306,401	233,553	233,553	-	-	N/A	N/A	N/A	N/A	N/A
Land	1,855,343	737,700	737,700	737,700	737,700	N/A	N/A	N/A	N/A	N/A
Buildings and System	27,534,242	15,156,749	20,006,990	18,595,987	16,944,199	N/A	N/A	N/A	N/A	N/A
Furniture, Equipment & Vehicles	6,094,402	3,782,295	3,782,294	2,725,414	2,669,773	N/A	N/A	N/A	N/A	N/A

Source: Individual county departments

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

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COMPLIANCE SECTION

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

Honorable Members of Board of Supervisors
County of Orange, Virginia

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Orange (the "County"), Virginia, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 29, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities, and Towns* and *Specifications for Audits of Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Internal Control over Financial Reporting

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

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

Internal Control over Financial Reporting (Continued)

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. **We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Items 11-01 and 11-02 to be material weaknesses.**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. **The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are reported as Items 12-02 and 12-03 in the accompanying schedule of findings and questioned costs.**

We noted certain other matters that we reported to management of the County in a separate letter dated November 29, 2012.

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

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
November 29, 2012

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

Honorable Members of Board of Supervisors
County of Orange, Virginia

Compliance

We have audited the compliance of the County of Orange, Virginia with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, the County of Orange, Virginia complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as Item 12-01.

Internal Control over Compliance

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

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

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

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

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
November 29, 2012

COUNTY OF ORANGE, VIRGINIA
SUMMARY OF COMPLIANCE MATTERS
June 30, 2012

As more fully described in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, we performed tests of the County's compliance with certain provisions of laws, regulations, contracts, and grants shown below:

STATE COMPLIANCE MATTERS

Code of Virginia:

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

State Agency Requirements:

Education
Social Services

FEDERAL COMPLIANCE MATTERS

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

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

COUNTY OF ORANGE, VIRGINIA

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012**

Federal Grantor/Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Cluster Amounts	Federal Expenditures
Department of Health and Human Services:			
Direct Payments:			
Headstart Program	93.600	1,193,518	
ARRA-Head start	93.708	<u>70,029</u>	
Total Head Start Cluster:			\$ 1,263,547
Pass Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556		\$ 13,980
Temporary Assistance to Needy Families (TANF)	93.558		160,927
Refugee and Entrant Assistance - Discretionary Grants	93.566		306
Low Income Home Energy Assistance	93.568		14,244
Child Care and Development Block Grant	93.575	100,606	
Child Care Mandatory and Matching funds of the Child Care and Development Fund	93.596	<u>69,779</u>	
Total Child Care Cluster:			170,385
Child Welfare Services - State Grants	93.645		487
Foster Care - Title IV-E	93.658		151,953
Adoption Assistance	93.659		122,911
Social Services Block Grant	93.667		103,391
Chafee Foster Care Independence Program	93.674		2,312
Children's Health Insurance Program	93.767		5,650
Medical Assistance Program	93.778		<u>113,537</u>
Total Department of Health & Human Services-pass through			<u>\$ 860,083</u>
Total Department of Health and Human Services			<u>\$ 2,123,630</u>
Department of Agriculture:			
Pass Through Payments:			
Food Distribution - Schools	10.555	90,012	
Department of Education:			
National school breakfast program	10.553	224,422	
National school lunch program	10.555	753,362	
Summer Food Service Program for Children	10.559	<u>13,974</u>	
Total Child Nutrition Cluster			1,081,770
Child Nutrition Discretionary Grants Limited Availability	10.579		13,974
Department of Social Services:			
State Administration:			
SNAP Cluster:			
Matching Grants for Supplemental Nutrition Assistance Program	10.561		<u>\$ 188,508</u>
Total Department of Agriculture			<u>\$ 1,284,252</u>
Department of the Interior:			
Direct payments:			
Bureau of Land Management:			
Payments in Lieu of Taxes	15.226		<u>\$ 4,206</u>

(Continued)

COUNTY OF ORANGE, VIRGINIA

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012**

Federal Grantor/Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Cluster Amounts	Federal Expenditures
Department of Transportation:			
Direct Payments:			
Airport Improvement Program	20.106		119,490
Pass Through Payments:			
Department of Motor Vehicles:			
State and community highway safety program	20.600		16,602
Total Department of Transportation			<u>\$ 136,092</u>
Pass Through Payments:			
Department of Education:			
Adult Education - Basic Grants to States	84.002		\$ 150,404
Title I grants to local educational agencies (Title I Part A Cluster)	84.010	684,591	
ARRA-Title I grants to local educational agencies (Title I Part A Cluster)	84.389	<u>50,100</u>	
Total Title I Cluster:			734,691
School Improvements Grants	84.377		168,869
Special Education-Grants to States (Special Education Cluster)	84.027	789,747	
ARRA-Special Education-Grants to State (Special Education Cluster)	84.391	29,490	
Special Education - preschool grants (Special Education Cluster)	84.173	33,144	
ARRA-Special Education - preschool grants (Special Education Cluster)	84.392	<u>1,647</u>	
Total Special Education Cluster:			854,028
Career and Technical Education: Basic grants to states	84.048		72,690
Safe and Drug Free Schools and Communities - State Grants	84.186		477
Education and Technology State Grants	84.318		4,122
English language acquisition grants	84.365		5,259
State Fiscal Stabilization Fund – Educational State Grants – ARRA	84.394		180,583
Education Job Funds Grant	84.410		974,570
Improving Teacher Quality State Grants	84.367		<u>147,261</u>
Total Department of Education			<u>\$ 3,292,954</u>
Department of Defense:			
Direct Payments:			
ROTC language and culture training grants	12.357		<u>\$ 60,406</u>
Total Expenditures of Federal Awards			<u><u>\$ 6,901,540</u></u>

NOTE 1 - BASIS OF PRESENTATION:

The accompanying schedule of federal expenditures includes the activity of all federally assisted programs of the County of Orange, Virginia and is presented on the modified accrual basis of accounting, as described in Note 1 to the County's basic financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on this schedule.

NOTE 2 - FOOD DISTRIBUTION:

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

COUNTY OF ORANGE, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2012

A. SUMMARY OF AUDITOR'S RESULTS

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

<u>Name of Program:</u>	<u>CFDA #</u>
Headstart Cluster	93.600
Headstart – ARRA	93.708
School Breakfast Program	10.553
National School Lunch Program	10.555
Summer Food Service Program for Children	10.559
Title I Grants to Local Educational Agencies	84.010
Title I Grants to Local Educational Agencies – ARRA	84.389
Education Jobs Fund	84.410

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

B. FINDINGS – FINANCIAL STATEMENT AUDIT

11-01: Segregation of Duties (Material Weakness)

Condition:

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

Recommendation:

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

Management's Response:

The auditee concurs with this recommendation.

COUNTY OF ORANGE, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2012

B. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)

11-02: Adjustments – (Material Weakness)

Condition:

A number of adjustments were necessary for the financial statements to be in compliance with generally accepted accounting principles. The adjustments related to improper accounting for capital assets, liabilities, and receivables.

Recommendation:

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

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

Management's Response:

The auditee concurs with the recommendation.

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

12-01: Summer Food Service Program for Children – CFDA 10.559

Condition:

We noted that the Record of Total Meals Served Report was not filed by the September 9, 2011 deadline. The report is required to be filed ten days after the last meal is served.

Recommendation:

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

Management's Response:

The auditee concurs with the recommendation.

COUNTY OF ORANGE, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2012

D. FINDINGS – COMMONWEALTH OF VIRGINIA

12-02: Virginia Security for Public Deposits Act

Condition:

Funds held in the Wells Fargo Café Prepay bank account were not marked as public funds.

Recommendation:

Procedures should be implemented to ensure that all bank accounts are properly marked as public funds.

Management's Response:

The auditee concurs with the recommendation.

12-03: Security Awareness and Training

Condition:

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

Recommendation:

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

Management's Response:

The auditee concurs with the recommendation.

COUNTY OF ORANGE, VIRGINIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2012

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

11-03: Headstart – CFDA 93.600

Condition:

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

Recommendation:

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

Current Status:

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