

COUNTY OF ORANGE, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2013

PREPARED BY:
FINANCE DEPARTMENT
ORANGE, VIRGINIA

**COUNTY OF ORANGE, VIRGINIA
TABLE OF CONTENTS**

INTRODUCTORY SECTION

	Page
Letter of Transmittal	i
GFOA Certificate of Achievement for Excellence in Financial Reporting	viii
Organizational Chart	ix
Directory of Principal Officials	x

FINANCIAL SECTION

Independent Auditor's Report	1
Management's Discussion and Analysis	4

Basic Financial Statements

Government-Wide Financial Statements

Exhibit 1 Statement of Net Position	5
Exhibit 2 Statement of Activities	6

Fund Financial Statements

Exhibit 3 Balance Sheet – Governmental Funds	7
Exhibit 4 Reconciliation to the Balance Sheet of Governmental Funds to the Statement of Net Position	8
Exhibit 5 Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	9
Exhibit 6 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	10
Exhibit 7 Statement of Net Position – Proprietary Fund	11
Exhibit 8 Statement of Revenues, Expenditures, and Changes in Fund Net Position – Proprietary Funds	12
Exhibit 9 Statement of Cash Flows – Proprietary Funds	13
Exhibit 10 Statement of Fiduciary Net Position – Fiduciary Funds	14
Exhibit 11 Statement of Changes in Fiduciary Net Position – Fiduciary Funds	15

Notes to Financial Statements	16
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Required Supplementary Information

Exhibit 12 Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	50
Exhibit 13 Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Virginia Public Assistance Fund	51
Exhibit 14 Schedules of Funding Progress – Pension and Other Post-Employment Benefits	52

Note to Required Supplementary Information	53
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Other Supplementary Information

Combining and Individual Fund Statements and Schedules

Exhibit 15	Combining Balance Sheet – Nonmajor Special Revenue Funds	54
Exhibit 16	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds	55
Exhibit 17	Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Nonmajor Special Revenue Funds.....	56
Exhibit 18	Combining Statement of Fiduciary Net Position – Fiduciary Funds	57
Exhibit 19	Combining Statement of Changes in Assets and Liabilities – Agency Funds	58

Discretely Presented Component Unit – School Board

Exhibit 20	Combining Balance Sheet	60
Exhibit 21	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	61
Exhibit 22	Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Governmental Funds	62
Exhibit 23	Combining Balance Sheet – Nonmajor Special Revenue Funds	63
Exhibit 24	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds	64

Discretely Presented Component Unit – Economic Development Authority

Exhibit 25	Balance Sheet	65
Exhibit 26	Statement of Revenues, Expenditures, and Changes in Fund Balances	66

STATISTICAL SECTION

Table 1	Net Position by Component	68
Table 2	Change in Net Position.....	69
Table 3	Fund Balances – Governmental Funds	71
Table 4	Changes in Fund Balances – Governmental Funds.....	72
Table 5	Assessed Value and Actual Value of Taxable Property.....	73
Table 6	Property Tax Rates – Direct and Overlapping Governments	75
Table 7	Principal Property Taxpayers.....	76
Table 8	Property Tax Levies and Collections.....	77
Table 9	Ratios of Outstanding Debt by Type	78
Table 10	Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	79
Table 11	Demographic and Economic Statistics	80
Table 12	Principal Employers	81
Table 13	Operating Indicators by Function	82

COMPLIANCE SECTION

Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	84
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	86
Summary of Compliance Matters	88
Schedule of Expenditures of Federal Awards.....	89
Schedule of Findings and Questioned Costs.....	91
Summary Schedule of Prior Audit Findings.....	96

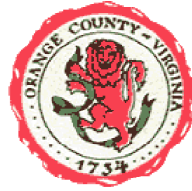
INTRODUCTORY SECTION

ORANGE COUNTY, VIRGINIA

Office of the County Administrator

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COUNTY ADMINISTRATOR

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November 26, 2013

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, 2013.

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 unmodified "clean" opinion on the financial statements of Orange County for the fiscal year ended June 30, 2013. 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 34,580. 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 1,529) and Orange (population 4,813), which are two of the main centers of commercial and industrial activity. The Route 3 Corridor in the eastern end of the County is also a commercial center. A planned residential community known as the Lake of the Woods is located on this corridor within the County and offers a private residential setting with recreation and open space areas.



Orange County Courthouse

The County operates under the traditional Board of Supervisors/County Administrator form of government as defined under Virginia law. The governing body of the County is the Board of Supervisors, which establishes policies for the administration of the County. The Board of Supervisors consists of five members representing the five election districts. The Chairman of the Board of Supervisors is elected from the Board of Supervisors and serves in addition to being a District Supervisor. The Board of Supervisors appoints a County Administrator to serve as the administrative manager of the County. The County Administrator serves at the pleasure of the Board of Supervisors, carries out policies established by the Board of Supervisors, and directs business and administrative procedures with the County government. In addition to the elected Board of Supervisors, five constitutional officers are elected. These officers include the Commissioner of Revenue, the Commonwealth's Attorney, the Clerk of the Circuit Court, the Sheriff, and the Treasurer.

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

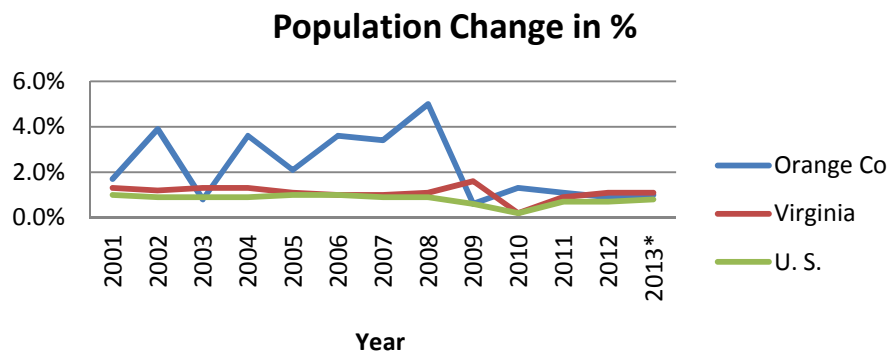
Orange County is financially accountable for a legally separate school district, which is reported separately within the financial statements as a component unit. The Orange County Public Schools is the single largest service provided by the County. The School Board is composed of five elected members 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 2012-2013 was 4,960. This is a decrease of forty-four 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 show signs of slow economic recovery in Fiscal Year 2013. A major driver of the County's economy over the last decade was population growth with many new residents moving in to enjoy the County's rural and picturesque location and proximity to the markets of Richmond, Charlottesville, Culpeper, and the Washington D.C metropolitan area. As indicated in the following chart, Orange County's population growth between 2001 and 2009 was well above the state and national rates and growth in the commercial and service sectors of the economy accompanied the new residents. As the general economy slowed, so did the in-migration and Orange County's population growth now closely mirrors that of the state.





Grelen Farm Market

located on six hundred acres in the western part of Orange County, opened a destination farm market and garden shop in the spring of 2013 representing a \$750,000 investment and creating up to eight new jobs. The market offers premium fruits and vegetables and an exclusive selection of flowers and plants, gardening products, outdoor furniture and a location for special events.

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.

Battlefield Farms is a state of the art, automated facility that produces a diverse plant product line which it delivers to retail outlets in the mid-Atlantic region. The facility specializes in annuals, perennials, and poinsettias and has recently invested \$1.5 million in new equipment in order to achieve its mission of sustainability, through water recycling and more efficient growing practices which use less energy and fewer pesticides.

Agri-tourism plays an increasingly important role in the County with the east coast's largest corn maze located at Liberty Mills Farm in Orange County. Grelen Nursery,



Battlefield Farms

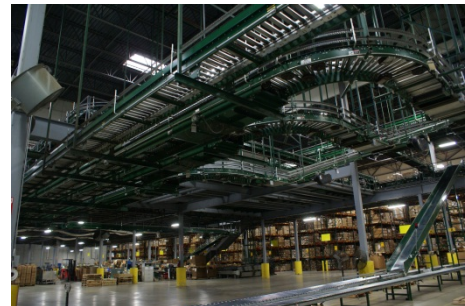


Homestead Building Systems of Virginia

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.

Homestead Building Systems of Virginia has recently purchased the manufacturing facility vacated by Timber Truss Housing Systems near the Orange County Airport. The company specializes in engineering, manufacturing, and delivering engineered wood products for the residential and commercial building industry. They expect to create forty to fifty new jobs and invest a total of \$4.5 million in the site.

MPS, which is part of Macmillan Publishing has been located in Orange County for more than thirty years and is the County's largest employer with 285 employees. Macmillan Publishers is a global trade publishing company, owned by Verlagsgruppe Georg von Holtzbrinck, with imprints in the United States, Germany, the United Kingdom, Australia, South Africa, and around the world. It is part of a distinctive group of publishing companies with a rich history in the book industry. Macmillan is a forward-looking company, dedicated to making books available in whatever format readers prefer, and fostering reader discussion through innovative community websites. The Orange MPS location specializes in packaging, orders and returns for the publishing company.



MPS Packaging System



RIDGID Products

RIDGID Products, a tool manufacturer, is another principal employer in Orange County. RIDGID tools are known throughout the world as industry-leading products that allow professionals to complete jobs more quickly and reliably. RIDGID strives to engineer ease-of-use into every product it manufactures, and includes innovative features to ensure that the tools it makes get jobs done as quickly as possible without compromising quality. RIDGID Products currently employs 121 people within the County, manufacturing general purpose hand tools, power tools, air tools, pipe and tubing tools, and drain cleaning tools, just to name a few.

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, 2013, of 6.0%; somewhat higher than the state average 5.6% but below the national unemployment rate of 7.3% at the same time.

According to the Bureau of Economic Analysis, per capita personal income rose by 3.1% over the previous year compared to the state-wide increase of 4.5%. Sales tax revenue for the fiscal year totaled \$2,476,715, a 9.4% increase over FY12. Another boost to the local economy has been a new Wal-Mart store which opened its doors in July, 2013, increasing collections for July by 18.5% over the prior year. The Wal-Mart store represents a fifteen million dollar investment and has created 300 new jobs in the County.

The taxable assessed value of real property in the County decreased by 28% in the reassessment that was effective for FY13 tax revenue. Machinery and Tools assessed values were reduced by 29.6% as the overall value of those properties showed a serious decline and one local manufacturer closed its doors in 2012. 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. FY13 includes the revenue generated by the new tax rates and demonstrates the County's willingness and ability to adjust to market conditions in order to serve its citizens and meet its obligations. Although FY13 represents a year of adjustment and recovery for the County's economy, there is much to suggest that it is moving in a positive direction for the future.

Major Initiatives

One of the largest county-wide initiatives begun during FY13 was the creation of an economic development visioning plan for the Route 3 Area, located in the eastern end of Orange County. Following a joint meeting on May 9, 2013, between the Orange County Board of Supervisors, Economic Development Authority, and Planning Commission, a consensus was reached that the expansion of the County's economy must be a priority. To that end, the three boards created and adopted the Route 3 Strategic Visioning Initiative. It is the desire of all three bodies that this economic development visioning initiative bring lasting prosperity to Orange County residents and businesses. They envision a dynamic destination that results in an economic engine for the entire county. The Route 3 Corridor will become a place for business, employment, entertainment and education. It will include business and trade parks which utilize a cohesive, planned campus setting. There will be a focus on medical and health services as well as other desired targeted industries. The boards' vision includes the following components.

Jobs and Employment

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

Consumer Goods and Services

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

Recreation, Culture and History

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

The three boards, pictured below, will continue to work towards the achievement of the Route 3 Area vision which is expected to continue for the next several years.



2013 Joint Retreat of the Orange County Board of Supervisors, Economic Development Authority, and Orange County Planning Commission

Other projects for the FY13 fiscal year included a School Board project which incorporated an Energy Performance Contract for \$6.2 million. The project will replace and enhance energy-powered equipment and appliances throughout the school system. Projects include numerous boiler replacements, lighting improvements, water heater upgrades, water conservation, heat pump replacements, weatherization, and control system upgrades. The projects were financed over fifteen years and the savings is guaranteed by the vendor to fund the future debt service on the obligation. The vendor for the Energy Performance Contract was pre-approved by the Virginia Department of Mines, Minerals and Energy, and that agency will continue to oversee the project and verify results.

Construction of a new landfill cell was completed during FY13 at a total cost of \$3,382,120. The new cell began accepting waste on January 1, 2013. It was developed on the same parcel adjacent to the closed landfill and will use newer technology to prevent soil and water contamination from runoff. The project included 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 seven 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. Capping of the old landfill is currently underway and will be completed during FY14.

Landfill Project-Cell #1



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. During FY13, land and easement acquisition was the primary project necessary for achieving this goal. Federal and state grants are providing the majority of the financing for this and other future projects.

In FY13, the County undertook a project to replace its financial software based on the recommendation of a committee that was formed to review alternatives. The project effects numerous departments (including schools) and includes various work processes including accounts payable, payroll, budgeting, purchasing, revenue billing and collections, permitting, fixed assets, contracts and grant management. The software being replaced was DOS-based and had been in service at the County since 1991. The new software will enhance reporting capabilities and features self-service options for vendors and employees. During FY13, preparations were made to implement the general ledger, accounts payable, fixed asset and purchasing modules which went "live" on July 1, 2013. Payroll and Human Resources will be implemented in January of 2014 and is accompanied by a transition from a monthly to a bi-weekly payroll. Revenue billing and collections, building permits and other planning permits will be implemented later in 2014. The project is anticipated to provide accurate and timely information through more robust reporting for management's decision making, and to ensure fiscal accountability through internal controls and role-based permissions.



Parks & Rec. Liberty Ride

The Orange County Parks and Recreation Department was awarded *Best New Special Event* by the Virginia Recreation and Parks Society for its 2012 Liberty Ride. The inaugural event was established to raise funds for the Orange County Parks and Recreation Foundation whose mission is to help support the future of parks and recreation activities within the County. The Parks and Recreation department partnered with James Madison's Montpelier Foundation and incorporated the horseback trail ride into their Constitution Day celebrations. The ride was approximately eleven miles round trip through pasture land, wooded trails and gravel roads. Lunch was served for the sixty-six participants on the grounds of the historic Montpelier mansion. The event was a great success for both participants and spectators alike, and will continue to be a valuable annual fundraiser for the Parks and Recreation Foundation.

The Office on Youth purchased a van during FY13 with residual user fees from child care programs after the close of FY12. The new van will allow the program more flexibility in providing field trips and ultimately be more cost effective than the previous practice of contracting for the use of school buses.



Office on Youth Van

Long-Term Financial Planning

Each year, the Finance Department provides a financial forecast of revenue and expenditures to the County Administrator and the Board of Supervisors. The forecast serves as a first step in the budget process for the upcoming fiscal year and is meant to provide a very preliminary view of the County's ability to meet its obligations and funding needs under a prescribed set of assumptions. The most recent forecast was presented on November 13, 2013, and included the following major assumptions:

- All tax rates at current levels
- 1% to 2% increases in assessed values
- 2% to 5% increases in other local taxes
- Existing service levels
- 4 new positions
- Wage increases of 2% annually
- Retirement contributions at an increase of 11.36% for the first two years, 2% following (per VRS actuary)
- All capital projects are shown with pay-as-you-go financing

	Forecast 2014-2015	Forecast 2015-2016	Forecast 2016-2017	Forecast 2017-2018	Forecast 2018-2019
General Property Taxes	35,938,440	36,599,310	37,273,109	37,960,091	38,660,518
Other Local Taxes	5,437,869	5,639,697	5,849,851	6,068,699	6,296,631
Permits, Fees, License	274,131	279,614	285,206	290,910	296,728
Fines and Forfeitures	15,500	15,810	16,126	16,449	16,778
Use of Money and Property	1,608,100	1,612,718	1,617,458	1,622,324	1,627,320
Charges for Service	1,904,261	1,942,972	1,982,501	2,022,869	2,064,096
Miscellaneous Revenue	323,962	330,441	337,050	343,791	350,667
Recovered Costs	101,703	103,737	105,812	107,928	110,086
State Aid	8,780,798	8,901,153	9,023,914	9,149,131	9,276,852
Federal Grants	10,734	10,868	11,006	11,146	11,289
Total Revenue & Other Sources	54,395,497	55,436,319	56,502,032	57,593,338	58,710,964
Expenditures	59,535,347	60,230,552	60,079,983	62,706,166	61,442,387
Difference	(5,139,850)	(4,794,232)	(3,577,951)	(5,112,829)	(2,731,423)
One cent of real estate taxes equals	371,536	378,967	386,546	394,277	402,163
Difference expressed as change in real estate tax	13.83	12.65	9.26	12.97	6.79

The results of the forecast are shown above and indicate ongoing challenges in balancing the County's annual budget with existing tax rates. The County's goal is to continue limiting the use of fund balance to one-time expenditures in order to avoid structural imbalance in the budget. As part of future budget discussions, the County will consider funding alternatives for the major capital projects as well as tax rate adjustments as part of the solution required to close the funding gap between estimated revenues and expenditures. A major goal of the Route 3 Corridor Visioning Initiative is to generate economic activity within the County in order to enhance the rate of growth and diversity in the tax base. Although that project is in its infancy, it may eventually reduce the gap between revenues and expenditures in future forecasts. A summary of the most recent forecast is shown below.

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, 2013, unassigned General Fund balance decreased slightly to 22.43% of expenditures as defined in the policy. Subsequent to June 30, 2013, carry-forward requests were approved and additional fund balance amounts assigned of \$2,857,356 bringing the percentage to 18.9% of operating expenditures for FY13.

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, 2012. 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



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

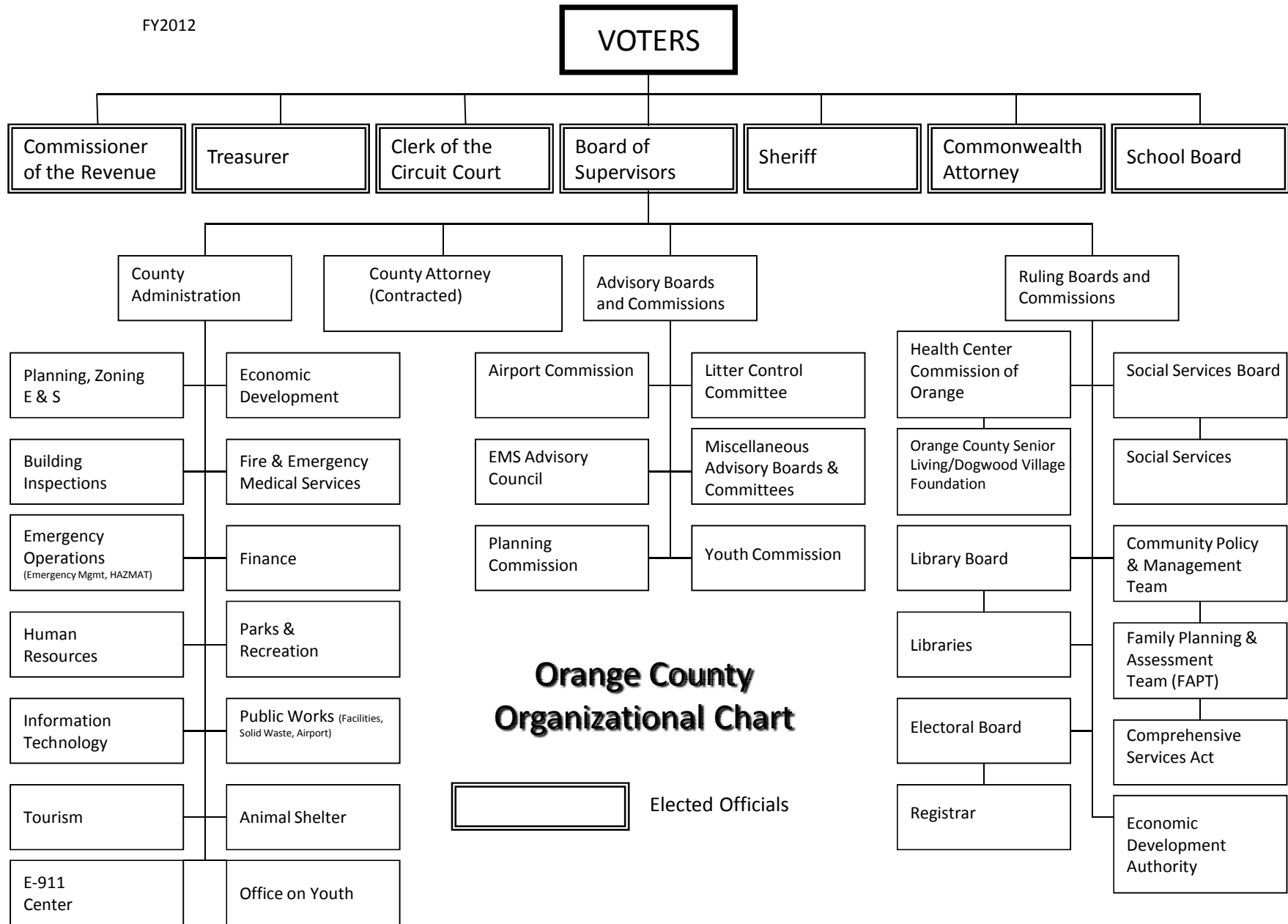
**County of Orange
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

FY2012



COUNTY OF ORANGE, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS
June 30, 2013

BOARD OF SUPERVISORS

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

Shannon C. Abbs

Grover C. Wilson, Jr.

James K. White

SCHOOL BOARD

Judy P. Carter, Chairman
Jerry Bledsoe, 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
Robert H. Downer, Jr., Edward K. Carpenter,
William G. Barkley and Dale B. Durrer
Richard E. Moore, Claude V. Worrell,
Edward DeJ. Berry and Frank W. Somerville
Thomas E. Lacheney
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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Orange, Virginia (the "County") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities, and Towns* and the *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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Orange, Virginia, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budget to actual schedules, and schedules of funding progress, as listed in 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, other supplementary information, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards 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 also 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2013 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
November 26, 2013

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, 2013. 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 vii of this report.

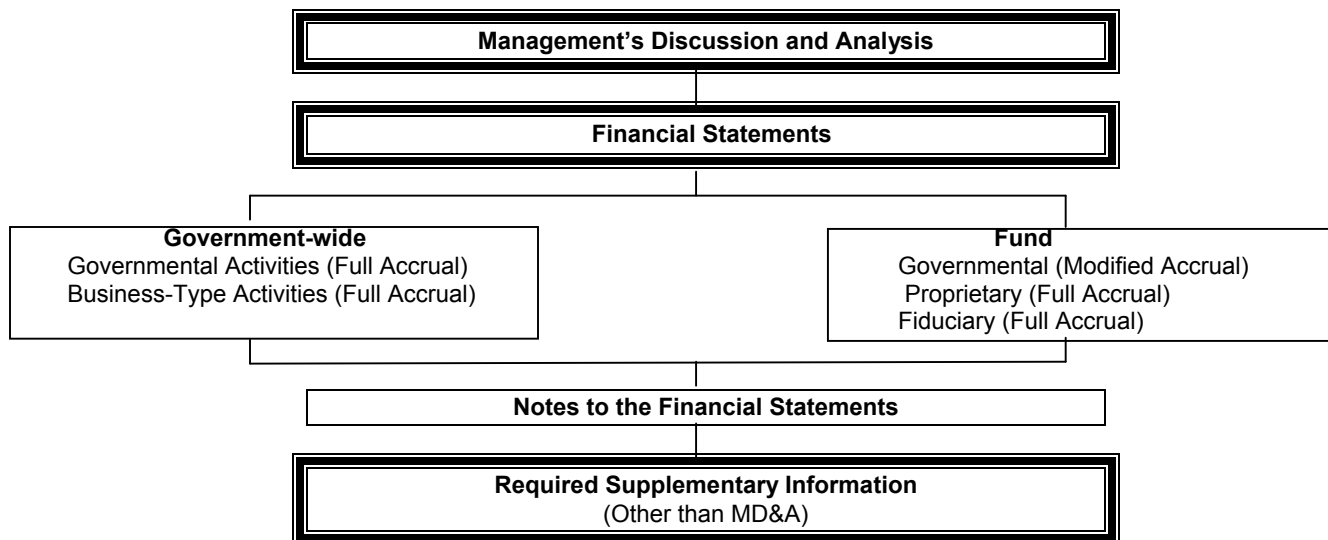
Financial Highlights

- The assets of the County of Orange (primary government) exceeded its liabilities at the close of the most recent fiscal year by \$36,794,880 (*net position*). Of this amount \$20,937,852 resulted from governmental activities and \$15,857,028 from business-type activities.
- On a government-wide basis for governmental activities, the County had expenses net of program revenues of \$44,562,472 which were \$1,660,715 more than the general revenues and transfers of \$42,901,757.
- On a government-wide basis for business-type activities, the County had expenses net of program revenues of \$1,983,888. A total of \$924,898 was added to net position mainly due to transfers to the Landfill fund for future closure costs and the landfill expansion.
- At June 30, 2013, unassigned General Fund balance was \$18,297,201 or 22.43% of actual operating expenditures as defined by the County's fund balance policy. Total general fund balance decreased by \$1,020,551 from 2012. Actual General Fund revenues fell short of budget estimates by \$394,636 and actual General Fund expenditures were less than budget estimates by \$3,881,987. It should be noted, that the FY14 budget includes an appropriation of \$82,564 in fund balance and part of the remaining fund balance will be carried forward for ongoing projects in FY14.
- Construction of a new Landfill Cell was completed without debt issuance during FY13 at a total cost of \$3,382,120.

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

The Statement of Net position presents information on all the County's assets and liabilities. As discussed earlier, the difference between assets and liabilities is reported as net position. Net position is 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 position as a financial indicator.

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

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

- Governmental Activities: These activities are supported primarily by property taxes and report the County's basic services such as general 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 position and a statement of changes in fiduciary net position. 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 16-49 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.

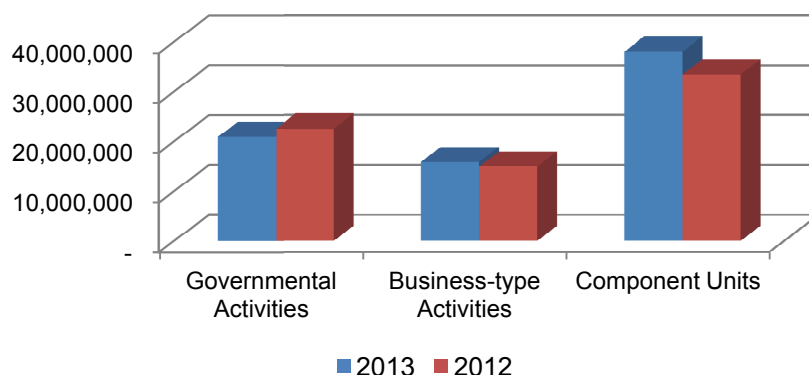
Government-wide Financial Analysis

The following table presents the condensed Statement of Net position:
Orange County, VA

Summary Statement of Net Position

	Primary Government				Component Units	
	Governmental Activities		Business-type Activities			
	2013	2012	2013	2012	2013	2012
Current and Other Assets	\$ 43,582,143	\$ 44,464,004	\$ 4,991,325	\$ 6,493,463	\$ 12,173,357	\$ 6,371,493
Capital Assets (net)	69,887,888	75,421,469	15,240,183	12,913,544	41,882,759	37,072,450
Total Position	113,470,031	119,885,473	20,231,508	19,407,007	54,056,116	43,443,943
Long-term Liabilities	89,467,865	94,116,979	4,229,260	4,086,259	10,711,188	4,504,383
Other Liabilities	3,064,314	3,169,927	145,220	388,618	5,259,281	3,974,840
Total Liabilities	92,532,179	97,286,906	4,374,480	4,474,877	15,970,469	8,479,223
Net Assets:						
Net Investment in Capital						
Assets	1,237,313	2,422,835	15,240,183	12,913,544	39,934,449	35,790,389
Restricted for Capital Project	155,000	-	-	-	-	-
Unrestricted	19,545,539	20,175,732	616,845	2,018,586	(1,848,802)	(2,271,695)
Total Net Position	\$ 20,937,852	\$ 22,598,567	\$ 15,857,028	\$ 14,932,130	\$ 38,085,647	\$ 33,518,694

Total Net Position



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

Orange, County, VA
Summary Statement of Changes in Net Position

	Primary Government				Component Units	
	Governmental Activities		Business-type Activities			
	2013	2012	2013	2012	2013	2012
Revenues:						
Program Revenues						
Charges for Service	\$ 3,001,435	\$ 3,267,103	\$ 708,853	\$ 803,882	\$ 855,198	\$ 1,002,273
Operating Grants & Contributions	5,198,455	5,836,506	24,513	9,296	28,613,741	26,973,741
Capital Grants & Contributions	-	-	475,995	605,634	-	-
General Revenues						
Real Estate & Personal Property						
Taxes	35,876,658	33,228,086	-	-	-	-
Other Taxes	6,341,665	5,798,454	-	-	-	-
Payments from Primary Govt.	-	-	-	-	19,683,482	17,830,661
Non-restricted Grants	3,038,845	2,948,932	-	-	-	-
Use of Property & Money	192,056	234,352	56,516	-	20,121	21,063
Miscellaneous	304,803	294,343	-	61,713	600,222	177,114
Total Revenues	<u>53,953,917</u>	<u>51,607,776</u>	<u>1,265,877</u>	<u>1,480,525</u>	<u>49,772,764</u>	<u>46,004,852</u>
Expenses:						
General Administration	3,248,756	3,147,031	-	-	17,330	21,271
Judicial Administration	1,555,502	1,591,338	-	-	-	-
Public Safety	10,415,818	9,801,548	-	-	-	-
Public Works	920,361	790,439	-	-	-	-
Health & Welfare	5,677,690	5,981,549	-	-	-	-
Education	24,769,534	28,150,265	-	-	46,634,507	37,925,666
Parks, Recreation, and Cultural	1,220,114	1,255,820	-	-	-	-
Community Development	1,025,612	1,027,386	-	-	-	-
Interest on Long-Term Debt	3,928,975	4,124,114	-	-	-	-
Airport	-	-	916,700	898,525	-	-
Landfill	-	-	2,276,549	2,111,304	-	-
Total Expenses	<u>52,762,362</u>	<u>55,869,490</u>	<u>3,193,249</u>	<u>3,009,829</u>	<u>46,651,837</u>	<u>37,946,937</u>
Excess (deficiency) before Transfers	1,191,555	(4,261,714)	(1,927,372)	(1,529,304)	3,120,927	8,057,915
Transfers In (Out)	(2,852,270)	(2,145,373)	2,852,270	2,145,373	-	-
Change in Net Position	(1,660,715)	(6,407,087)	924,898	616,069	3,120,927	8,057,915
Net Position, Beginning, As Adjusted	<u>22,598,567</u>	<u>29,005,654</u>	<u>14,932,130</u>	<u>14,316,061</u>	<u>34,964,720</u>	<u>26,906,805</u>
Net Position, Ending	<u>\$ 20,937,852</u>	<u>\$ 22,598,567</u>	<u>\$ 15,857,028</u>	<u>\$ 14,932,130</u>	<u>\$ 38,085,647</u>	<u>\$ 34,964,720</u>

Net Position

The Primary Government's governmental net position decreased by \$1,660,715 to \$20,937,852 from \$22,598,567. This decrease and the a portion of the increases in the business-type activities' and component units' net position was due to the continued General Fund investment in capital improvements for the Landfill Fund and School Component Unit. Unrestricted governmental net position decreased by \$630,193. Restricted governmental net position of \$155,000 resulted from Wal-Mart proffers for future capital improvements. Both assets and liabilities for governmental functions declined while assets and liabilities for business-type activities and component units 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 and land and easement acquisition activity at the Airport related to taxiways and continued efforts to improve accessibility and safety. Funding for these projects is primarily from federal and state grants.

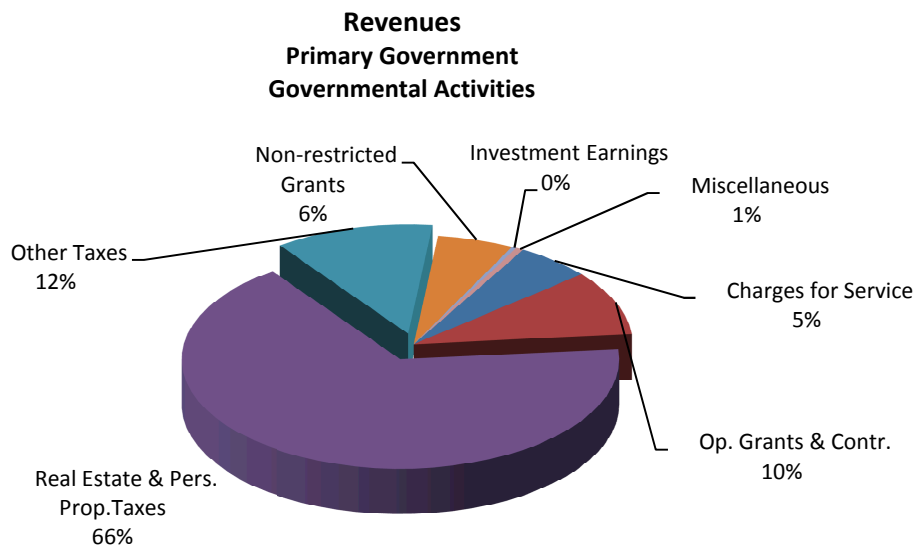
Revenues

For the fiscal year ended June 30, 2013, revenues generated by the Primary Government's governmental activities totaled \$53,953,917. General property taxes, the County's largest revenue source, were \$35,876,658. 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 FY13 was \$0.72 per \$100 of assessed value, up from \$0.49 the prior year. The increase was primarily due to a 28% reduction in County real estate values. The personal property tax rate increased from \$3.27 per \$100 of assessed value to \$3.75 in order to generate additional funds for education, deferred capital needs and landfill closure.

FY13 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 37% up to the first \$20,000 in value for FY13.

The other local tax category includes sales tax, consumer utilities tax, occupancy tax, recordation tax, motor vehicle license tax, and food and beverage tax. This category of income reflects an overall increase of \$543,211 over the previous year, of which \$251,611 can be attributed to an increase of 67% in motor vehicle license tax rates for FY13. Sales tax collections increased by 6% over the prior year and Meals Taxes increased by 2.4%. Recordation Tax revenue increased by \$81,465 or 21.5% as a result of the economic recovery and an increase in real estate activity.

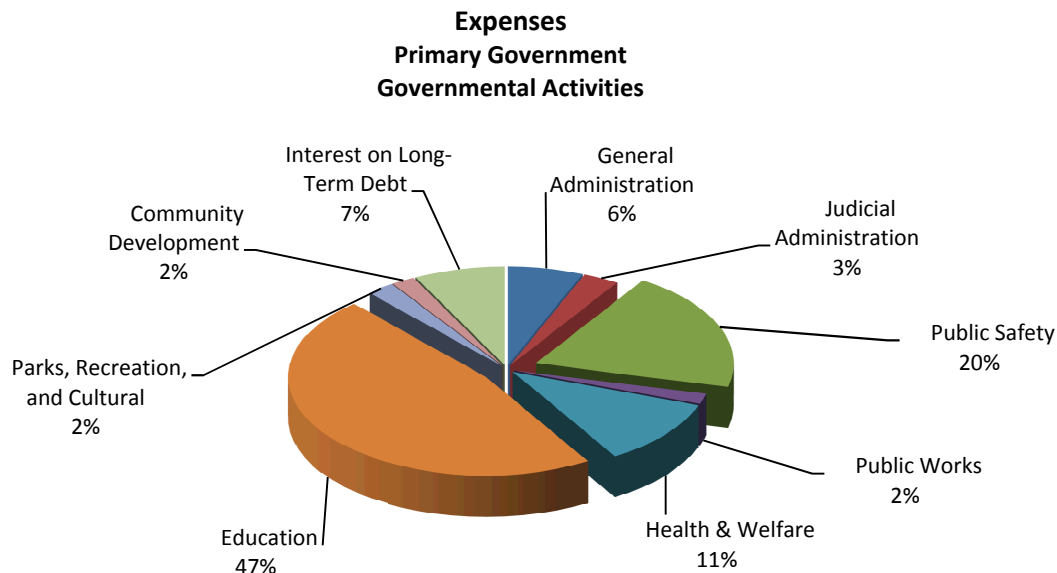
Program revenues are derived from the program itself and reduce the cost of the function to the County. This category includes user fees and operating and capital grant revenues. Total program revenues for governmental activities were \$8,199,890. Program revenues in the governmental funds include a "charges for services" category that totaled \$3,001,435 and includes charges for ambulance fees, recreation and childcare programs, and building permits. The proprietary fund generated program revenues of \$708,853 from user charges and \$500,508 in grant revenues.



Expenses

For the fiscal year ended June 30, 2013, expenses for governmental activities totaled \$52,762,362, a decrease of \$3,107,128. Expenses include the cost of employee compensation, contributions to the school board, and interest on governmental debt. The largest decrease is reflected in the Education category which is due to the fact that FY12 expenses included the middle school construction capital project and associated expenses which were transferred to the School Board due to debt pay down during the project. Most expense categories reflect declines for FY13, however there were increases in Public Safety and Public Works of 6% and 16% respectively. Interest expenses on long-term debt also declined by \$195,139 for the year.

Personnel expenses for FY13 included a 3.5% salary adjustment for full and part-time personnel and an increase of 7.8% in health insurance premiums. Retirement contributions totaled 17.06% of creditable compensation, 5% of which was paid by employee payroll deductions as a result of a new state mandate. The County was required to offset these deductions with a corresponding 5% increase in wages for affected employees which resulted in additional expenses for associated benefits on those wages, including FICA. Premiums for group life insurance coverage were 1.19% of annual salaries, an increase of 425% over the previous year.



Public Safety reflects the largest increase in expenses within the governmental activities due mainly to the large increases in personnel-related costs. In the Governmental Funds, Public Safety personnel make up 55% of the workforce causing personnel-related expenses to be concentrated in that category. Public Works expenses within governmental activities increased by \$129,922 due to a combination of increased utility costs and repairs and maintenance expenses on County Buildings (mainly HVAC-related).

The County's Proprietary Funds reflect a total of \$3,193,249 in expenses compared to \$3,009,829 for FY12. The largest difference can be attributed to construction costs of the new landfill cell and the anticipated closure and post-closure costs associated with the old landfill site. 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.

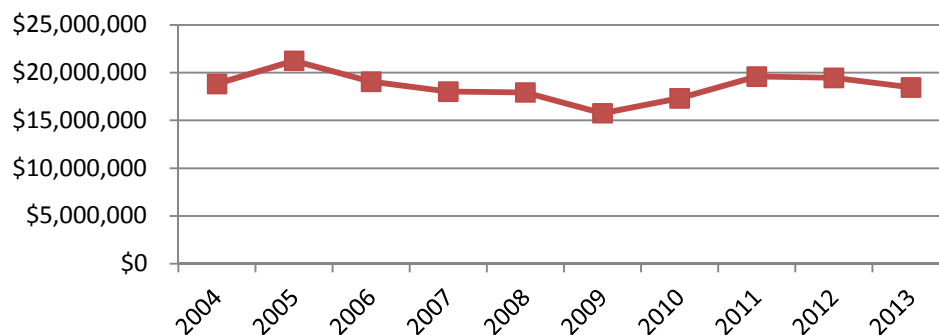
For the fiscal year ended June 30, 2013, the County's governmental funds reflect a combined fund balance of \$21,018,499, some of which is reserved for specific purposes such as capital outlay and debt service. This is a decrease of \$490,236 from FY12 which is due a combination of an increase in Capital Project Fund balance and decreases within the General and Virginia Public Assistance Funds. General Fund balance decreased by \$1,020,551, however this was much less than the budgeted appropriation of \$4,507,902. General Fund revenues came in \$394,636 lower than the amended budget and expenditures were \$3,881,987 less than budgeted appropriations. This variance in expenditures is due to 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 decreased by \$42,251 due to a budgeted use of Fund Balance. Fund Balance in the Debt Service Fund remained at zero because it is normally funded solely by transfers from the General Fund in an amount equal to the debt service due. Fund Balance in the School Capital Project Fund remained unchanged and increased in the County Capital Project Fund by \$567,588. This amount is assigned to specific capital projects as they were approved in the adopted Capital Improvements Plan.

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 FY12, the School Operating Fund reflected a small ending fund balance of \$11,758 which was offset through General Fund transfers during FY12. The restricted fund balance of \$4,680,747 within the School Operating Fund at June 30, 2013 represents financing proceeds from an Energy Performance Contract for which projects are ongoing. These projects are anticipated to produce amounts from energy savings sufficient to service the associated debt in future years.

In the General Fund, unassigned fund balance is \$18,297,201. 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, 2013, unassigned General Fund balance dropped slightly to 22.43% of expenditures as defined in the policy. Subsequent to June 30, 2013, carry-forward requests were approved and additional fund balance amounts assigned of \$2,857,356 bringing the percentage to 18.9% of operating expenditures for FY13.

Total General Fund Balance



General Fund Budgetary Highlights

Differences between the original operating budget and the final operating budget resulted in a net increase of \$2,788,875 in additional appropriations. Highlights of the budget amendments are as follows:

School Board short-term capacity expansion project	\$ 800,000
School Board carryover requests for ongoing projects	\$ 795,772
School Board request for unspent FY12 operating funds	\$ 619,145
General Fund carryover requests for ongoing projects	\$ 607,604
Animal Shelter Donations	\$ 143,663
Additional Funds for legal services (delinquent tax sales)	\$ 36,000
Space Study for new E-911 Facility	\$ 32,000
RSAF Grant for AEDs and Stairchairs	\$ 28,728
Fire and EMS Overtime (additional funds)	\$ 18,512
Library E-rate Grant	\$ 18,427
Emergency Services Grant (North Anna Nuclear Plant)	\$ 15,000
Strengthening Families Program Grant - DSS	\$ 14,294
Litter Grant Revenue	\$ 10,333
Fire Programs Revenue	\$ 10,299
DMV Sheriff's grant proceeds	\$ 9,885
Reduction for Machinery & Tools Abatement	\$ (157,719)
Reduction for cancelled Fire Billing Program	\$ (265,000)

As detailed above, the largest budget amendment was for the purchase of modular units and the renovation of science labs at the Orange County High School. A total of five modular units were purchased to address overcrowding and the need for science labs was addressed by renovating existing classrooms to serve as labs. In addition to the funds carried over for previously approved capital projects, most of the school operational savings was re-appropriated in order to address additional school projects including the purchase of four school buses, replacing the bathrooms and concession stand at the football stadium, replacing the gym floor, and uneven sidewalks.

General Fund carryover appropriations included \$71,765 in funds for additional operating expenses at the Rappahannock-Rapidan Juvenile Detention Center due to higher usage of the facility, \$60,000 for facilities repair and maintenance, \$38,233 for GIS parcel updates and \$30,000 for SAN computer storage. A total of \$22,000 was approved for the purchase of a van for the Office on Youth, \$23,341 for the County Attorney search, and \$28,525 in Tourism promotional expenses.

Donations for the Animal Shelter were earmarked for a variety of projects including a fire suppression project, a Public Address (PA) system for the Shelter, the Emergency Vet Program, Spay & Neuter Program, and Vaccinations.

Two large reductions to the budget were necessary during the year. The first was due to a large abatement for Machinery & Tools Tax. The second was due to the cancellation of a planned program to bill for fire services upon further review by the department and the Board.

Capital Assets

The County of Orange's investment in capital assets for its governmental and business-type activities as of June 30, 2013, amounts to \$85,128,071 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, landfill development, buildings and systems, improvements, machinery and equipment, harbor, and park facilities.

Orange County, VA Primary Government Change in Capital Assets

	Balance June 30, 2012	Net Increase/ (Decrease)	Balance June 30, 2013
Governmental Activities:			
Non-Depreciable Assets:			
Land and Land Improvements	\$ 1,232,342	\$ -	\$ 1,232,342
Construction in Progress	27,565	271,720	299,285
School CIP Allocated to County	-	-	-
Other Capital Assets:			
Buildings & Other Improvements	18,000,227	95,699	18,095,926
School Buildings & Improvements	62,731,685	(4,409,990)	58,321,695
Furniture and Other Equipment	8,869,417	675,083	9,544,500
Less: Accumulated Depreciation	(15,439,767)	(2,166,093)	(17,605,860)
Business-type Activities:			
Non-Depreciable Assets:			
Land and Land Improvements	1,901,314	40,443	1,941,757
Construction in Progress	990,559	(680,068)	310,491
Other Capital Assets:			
Buildings & Other Improvements	11,139,767	62,183	11,201,950
Landfill Development Costs	-	3,349,705	3,349,705
Furniture and Other Equipment	1,202,440	186,457	1,388,897
Less: Accumulated Depreciation	(2,320,536)	(632,081)	(2,952,617)
Net Capital Assets	\$ 88,335,013	\$ (3,206,942)	\$ 85,128,071

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 two such leases outstanding which were for the purchase of two fire trucks in 2008 for a ten-year term at 3.57% interest, and for a bundle of equipment purchased in FY13 including financial software, a VOIP telephone system, wireless radios and a generator. The FY13 equipment lease carries an interest rate of 1.78% over a five-year term.

The School Board also occasionally uses lease-purchase financing 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. During FY13, the School Board entered an Energy Performance Contract for \$6,198,242 at an interest rate of 2.59% over a fifteen-year term. The proceeds from this issue will be spent to acquire energy-saving equipment throughout the division which will generate energy savings over the term in amounts sufficient to fund the debt service.

The County's 2007 Lease-Revenue Bond Issue for the Courthouse and Assisted Living Facility was recently reviewed and upgraded by Standard & Poor's from A+ to AA-. Likewise, the County's General Obligation bond rating was subsequently issued with a grade of AA.

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, 2013 is as follows:

General Obligation Bonds	
Series 2001	\$ 14,480,000
Series 2003	170,600
Series 2005	603,428
School Bond Series 2005D	9,267,016
General Obligation Bond Premiums	2,409,678
Virginia Public School Authority Bonds (VPSA)	
Series 1994 A	50,000
Series 1995 A	75,000
Series 2000 B	1,190,000
Series 2002	990,000
Series 2007 B	3,900,000
Series 2009 B	25,960,000
Lease Revenue Bonds	
Series 2007	27,985,000
Series 2007 Discount	(536,469)
Series 2007 Deferred Amount	(314,665)
Capital Leases	1,565,987
Landfill closure and post-closure care liability	4,155,000
Net OPEB Obligation	762,983
Compensated Absences	983,567
Grand Total	\$ 93,697,125

The Component Unit School Board's outstanding debt at June 30, 2013 is as follows:

Capital Leases	\$	7,056,432
Net OPEB Obligation		2,101,509
Compensated Absences		1,553,247
Grand Total	\$	10,711,188

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 funds 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 POSITION

June 30, 2013

	Primary Government			Discretely Presented Component Unit	
	Governmental Activities	Business-Type Activities	Total	School Board	EDA
ASSETS					
Cash and cash equivalents (Note 3)	\$ 9,999,094	\$ 4,847,675	\$ 14,846,769	\$ 4,082,790	\$ 1,381,343
Investments (Note 3)	9,451,288	-	9,451,288	-	-
Receivables, net (Note 4):					
Taxes receivable	1,782,302	-	1,782,302	-	-
Accounts receivable	932,192	38,295	970,487	39,695	-
Due from other governments (Note 5)	996,753	69,974	1,066,727	1,561,407	-
Inventories	-	35,381	35,381	-	-
Prepaid items	83,801	-	83,801	-	-
Note receivable (Note 1)	19,145,000	-	19,145,000	-	-
Restricted assets (Note 3):					
Cash and cash equivalents	559,249	-	559,249	5,108,122	-
Other assets:					
Unamortized bond issue costs	632,464	-	632,464	-	-
Capital assets (Note 7):					
Nondepreciable	1,531,627	2,252,248	3,783,875	4,316,160	129,172
Depreciable, net	68,356,261	12,987,935	81,344,196	37,437,427	-
Total assets	113,470,031	20,231,508	133,701,539	52,545,601	1,510,515
LIABILITIES					
Accounts payable	635,325	116,568	751,893	1,314,015	980
Accrued liabilities	115,121	28,652	143,773	3,880,978	-
Accrued interest payable	1,819,325	-	1,819,325	63,308	-
Unearned revenue	494,543	-	494,543	-	-
Long-term liabilities (Note 8 and 11):					
Due within one year	6,397,581	2,471,770	8,869,351	515,945	-
Due in more than one year	83,070,284	1,757,490	84,827,774	10,195,243	-
Total liabilities	92,532,179	4,374,480	96,906,659	15,969,489	980
NET POSITION					
Net investment in capital assets	1,237,313	15,240,183	16,477,496	39,805,277	129,172
Restricted for capital projects	155,000	-	155,000	-	-
Unrestricted (deficit)	19,545,539	616,845	20,162,384	(3,229,165)	1,380,363
Total net position	\$ 20,937,852	\$ 15,857,028	\$ 36,794,880	\$ 36,576,112	\$ 1,509,535

COUNTY OF ORANGE, VIRGINIA

STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

Program Revenues					Net (Expense) Revenue and Changes in Net Assets				
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Discretely Presented Component Units	
					Governmental Activities	Business-Type Activities	Total	School Board	EDA
Primary Government:									
Governmental activities:									
General government	\$ 3,248,756	\$ 1,055,846	\$ 242,897	\$ -	\$ (1,950,013)		\$ (1,950,013)	\$ -	\$ -
Judicial administration	1,555,502	291,311	476,291	-	(787,900)		(787,900)	-	-
Public safety	10,415,818	1,326,899	1,587,527	-	(7,501,392)		(7,501,392)	-	-
Public works	920,361	-	-	-	(920,361)		(920,361)	-	-
Health and welfare	5,677,690	-	2,754,297	-	(2,923,393)		(2,923,393)	-	-
Education	24,769,534	170,955	-	-	(24,598,579)		(24,598,579)	-	-
Parks, recreation, and cultural	1,220,114	156,424	137,443	-	(926,247)		(926,247)	-	-
Community development	1,025,612	-	-	-	(1,025,612)		(1,025,612)	-	-
Interest on long-term debt	3,928,975	-	-	-	(3,928,975)		(3,928,975)	-	-
Total governmental activities	52,762,362	3,001,435	5,198,455	-	(44,562,472)		(44,562,472)	-	-
Business-type activities									
Airport	916,700	422,685	14,180	475,995		(3,840)	(3,840)	-	-
Landfill	2,276,549	286,168	10,333	-		(1,980,048)	(1,980,048)	-	-
Total business-type activities	3,193,249	708,853	24,513	475,995		(1,983,888)	(1,983,888)	-	-
Total primary government	\$ 55,955,611	\$ 3,710,288	\$ 5,222,968	\$ 475,995	(44,562,472)	(1,983,888)	(46,546,360)	-	-
Component Unit:									
School Board	\$ 46,634,507	\$ 855,198	\$ 28,613,741	\$ -				(17,165,568)	-
Economic Development Authority	17,330	-	-	-				-	(17,330)
Total component units	\$ 46,651,837	\$ 855,198	\$ 28,613,741	\$ -				\$ (17,165,568)	\$ (17,330)
General revenues:									
General property taxes					35,876,658	-	35,876,658	\$ -	\$ -
Other local taxes:									
Local sales and use					1,980,974	-	1,980,974	-	-
Consumer's utility tax					2,035,551	-	2,035,551	-	-
Consumption taxes					96,389	-	96,389	-	-
Motor vehicle license taxes					914,527	-	914,527	-	-
Taxes on recordation and wills					460,522	-	460,522	-	-
Restaurant food taxes					646,602	-	646,602	-	-
Other taxes					207,100	-	207,100	-	-
Unrestricted revenues from use of money and property					192,056	-	192,056	15,692	4,429
Miscellaneous					304,803	56,516	361,319	600,222	-
County contribution					-	-	-	19,607,072	76,410
Grants and contributions not restricted to specific programs					3,038,845	-	3,038,845	-	-
Transfers (Note 6)					(2,852,270)	2,852,270	-	-	-
Total general revenues and transfers					42,901,757	2,908,786	45,810,543	20,222,986	80,839
Change in net position					(1,660,715)	924,898	(735,817)	3,057,418	63,509
NET POSITION AT JULY 1					22,598,567	14,932,130	37,530,697	33,518,694	1,446,026
NET POSITION AT JUNE 30					\$ 20,937,852	\$ 15,857,028	\$ 36,794,880	\$ 36,576,112	\$ 1,509,535

FUND
FINANCIAL STATEMENTS

COUNTY OF ORANGE, VIRGINIA

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	General	Virginia Public Assistance	Debt Service	County Capital Projects	School Capital Projects	Other Governmental Funds	Total
ASSETS							
Cash and cash equivalents (Note 3)	\$ 8,114,403	\$ 13,268	\$ -	\$ 1,787,689	\$ 16,645	\$ 67,089	\$ 9,999,094
Investments (Note 3)	9,451,288	-	-	-	-	-	9,451,288
Receivables, net (Note 4):							
Taxes receivable	1,782,302	-	-	-	-	-	1,782,302
Accounts receivable	932,192	-	-	-	-	-	932,192
Due from other governments (Note 5)	823,124	173,629	-	-	-	-	996,753
Prepaid items	83,801	-	-	-	-	-	83,801
Note receivable (Note 1)	19,145,000	-	-	-	-	-	19,145,000
Restricted assets:							
Cash and cash equivalents (Note 3)	-	-	-	559,249	-	-	559,249
Total assets	<u>\$ 40,332,110</u>	<u>\$ 186,897</u>	<u>\$ -</u>	<u>\$ 2,346,938</u>	<u>\$ 16,645</u>	<u>\$ 67,089</u>	<u>\$ 42,949,679</u>
LIABILITIES							
Accounts payable and accrued expenditures	\$ 700,486	\$ -	\$ -	\$ 48,325	\$ -	\$ 1,635	\$ 750,446
Deferred revenue	21,180,734	-	-	-	-	-	21,180,734
Total liabilities	<u>21,881,220</u>	<u>-</u>	<u>-</u>	<u>48,325</u>	<u>-</u>	<u>1,635</u>	<u>21,931,180</u>
FUND BALANCES (Note 14)							
Restricted	-	-	-	714,249	-	-	714,249
Committed	71,125	186,897	-	-	-	65,454	323,476
Assigned	82,564	-	-	1,584,364	16,645	-	1,683,573
Unassigned	18,297,201	-	-	-	-	-	18,297,201
Total fund balances	<u>18,450,890</u>	<u>186,897</u>	<u>-</u>	<u>2,298,613</u>	<u>16,645</u>	<u>65,454</u>	<u>21,018,499</u>
Total liabilities and fund balances	<u>\$ 40,332,110</u>	<u>\$ 186,897</u>	<u>\$ -</u>	<u>\$ 2,346,938</u>	<u>\$ 16,645</u>	<u>\$ 67,089</u>	<u>\$ 42,949,679</u>

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

COUNTY OF ORANGE, VIRGINIA

**RECONCILIATION TO THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2013**

Total fund balances per Exhibit 3 – Balance Sheet – Governmental Funds \$ 21,018,499

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 69,887,888

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 20,686,191

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 Position. 632,464

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

Bonds payable, net of premiums, discounts and deferred amounts on refunding	(86,229,588)
Accrued interest payable	(1,819,325)
Capital leases payable	(1,565,987)
Other post-employment benefits	(728,518)
Compensated absences	(943,772)
	(4,287,190)

Net position of governmental activities \$ 20,937,852

COUNTY OF ORANGE, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2013

	General	Virginia Public Assistance	Debt Service	County Capital Projects	School Capital Projects	Other Governmental Funds	Total
REVENUES							
General property taxes	\$ 35,560,361	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,560,361
Other local taxes	6,341,665	-	-	-	-	-	6,341,665
Permits, privilege fees, and regulatory licenses	354,996	-	-	-	-	-	354,996
Fines and forfeitures	17,964	-	-	-	-	-	17,964
Revenue from the use of money and property	191,946	-	-	110	-	-	192,056
Charges for services	1,697,242	-	-	-	-	6,414	1,703,656
Miscellaneous	304,803	-	-	-	-	-	304,803
Recovered costs	1,595,849	-	-	-	-	-	1,595,849
Intergovernmental revenues:							
Commonwealth	6,207,228	874,829	-	9,007	-	9,828	7,100,892
Federal	12,836	968,572	-	-	-	-	981,408
Total revenues	52,284,890	1,843,401	-	9,117	-	16,242	54,153,650
EXPENDITURES							
Current:							
General government	2,937,819	-	-	-	-	-	2,937,819
Judicial administration	1,473,264	-	-	-	-	6,073	1,479,337
Public safety	9,783,345	-	-	-	-	4,326	9,787,671
Public works	854,968	-	-	-	-	-	854,968
Health and welfare	2,595,305	2,683,117	-	-	-	-	5,278,422
Education	19,315,914	-	-	301,141	-	-	19,617,055
Parks, recreation, and cultural	1,141,213	-	-	-	-	-	1,141,213
Community development	952,071	-	-	-	-	-	952,071
Nondepartmental	58,853	-	-	-	-	-	58,853
Capital projects	-	-	-	953,451	-	-	953,451
Debt service (Note 9):							
Principal retirement	-	-	5,398,954	-	-	-	5,398,954
Interest and other fiscal charges	-	-	4,233,801	-	-	-	4,233,801
Total expenditures	39,112,752	2,683,117	9,632,755	1,254,592	-	10,399	52,693,615
Excess (deficiency) of revenues over expenditures	13,172,138	(839,716)	(9,632,755)	(1,245,475)	-	5,843	1,460,035
OTHER FINANCING SOURCES (USES)							
Transfers in (Note 6)	50,207	797,465	9,632,755	960,405	-	-	11,440,832
Transfers out (Note 6)	(14,242,896)	-	-	(49,342)	-	(865)	(14,293,103)
Issuance of capital lease (Note 9)	-	-	-	747,000	-	-	747,000
Capital contributions	-	-	-	155,000	-	-	155,000
Total other financing sources (uses)	(14,192,689)	797,465	9,632,755	1,813,063	-	(865)	(1,950,271)
Net change in fund balance	(1,020,551)	(42,251)	-	567,588	-	4,978	(490,236)
FUND BALANCES AT JULY 1	19,471,441	229,148	-	1,731,025	16,645	60,476	21,508,735
FUND BALANCES AT JUNE 30	\$ 18,450,890	\$ 186,897	\$ -	\$ 2,298,613	\$ 16,645	\$ 65,454	\$ 21,018,499

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

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, 2013**

Net change in fund balances per Exhibit 5 – total government funds \$ (490,236)

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	1,169,801
Depreciation expense	(2,293,392)
Allocation of debt financed school assets based on current year repayments and drawdowns of bond proceeds	(4,409,990)
	(5,533,581)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. (354,733)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of 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	4,377,040
Lease revenue bonds	790,000
Capital lease	231,914
Proceeds from capital lease	(747,000)
Amortization of bond discount	(43,758)
Amortization of deferred amount on refunding	(25,682)
Amortization of bond issuance costs	(31,659)
Amortization of bond premium	305,545
	4,856,400

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	(125,823)
Other post-employment benefits	(113,122)
Accrued interest	100,380
	(138,565)

Changes in net position of governmental activities \$ (1,660,715)

COUNTY OF ORANGE, VIRGINIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2013

	Business-Type Activities		
	Enterprise Funds		
	Airport	Landfill	Total
ASSETS			
Current assets:			
Cash and cash equivalents (Note 3)	\$ 623,875	\$ 4,223,800	\$ 4,847,675
Receivables, net (Note 4)	700	37,595	38,295
Due from other governments (Note 5)	69,974	-	69,974
Inventories	35,381	-	35,381
Total current assets	729,930	4,261,395	4,991,325
Noncurrent assets (Note 7):			
Capital assets:			
Nondepreciable	2,224,143	28,105	2,252,248
Depreciable, net	9,397,110	3,590,825	12,987,935
Total noncurrent assets	11,621,253	3,618,930	15,240,183
Total assets	12,351,183	7,880,325	20,231,508
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	18,015	127,205	145,220
Long-term liabilities due within one year (Note 8 and 11)	3,966	2,467,804	2,471,770
Total current liabilities	21,981	2,595,009	2,616,990
Noncurrent liabilities:			
Long-term liabilities due in more than one year (Note 8 and 11)	5,792	1,751,698	1,757,490
Total noncurrent liabilities	5,792	1,751,698	1,757,490
Total liabilities	27,773	4,346,707	4,374,480
NET POSITION			
Net investment in capital assets	11,621,253	3,618,930	15,240,183
Unrestricted (deficit)	702,157	(85,312)	616,845
Total net position	\$ 12,323,410	\$ 3,533,618	\$ 15,857,028

COUNTY OF ORANGE, VIRGINIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2013

	Business-Type Activities Enterprise Funds		
	Airport	Landfill	Totals
OPERATING REVENUES			
Charges for services	\$ 422,685	\$ 286,168	\$ 708,853
Miscellaneous	-	56,516	56,516
Total operating revenues	<u>422,685</u>	<u>342,684</u>	<u>765,369</u>
OPERATING EXPENSES			
Personnel services	84,381	558,001	642,382
Fringe benefits	22,440	148,489	170,929
Contractual services	32,619	850,000	882,619
Other charges	356,127	509,111	865,238
Depreciation	<u>421,133</u>	<u>210,948</u>	<u>632,081</u>
Total operating expenses	<u>916,700</u>	<u>2,276,549</u>	<u>3,193,249</u>
Operating loss	<u>(494,015)</u>	<u>(1,933,865)</u>	<u>(2,427,880)</u>
NON-OPERATING REVENUES			
Commonwealth grants	<u>14,180</u>	<u>10,333</u>	<u>24,513</u>
Total non-operating revenues	<u>14,180</u>	<u>10,333</u>	<u>24,513</u>
Loss before contributions and transfers	(479,835)	(1,923,532)	(2,403,367)
CAPITAL CONTRIBUTIONS	475,995	-	475,995
TRANSFERS IN (Note 6)	<u>178,446</u>	<u>2,673,824</u>	<u>2,852,270</u>
Change in net position	174,606	750,292	924,898
NET POSITION AT JULY 1	<u>12,148,804</u>	<u>2,783,326</u>	<u>14,932,130</u>
NET POSITION AT JUNE 30	<u><u>\$ 12,323,410</u></u>	<u><u>\$ 3,533,618</u></u>	<u><u>\$ 15,857,028</u></u>

COUNTY OF ORANGE, VIRGINIA

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
Year Ended June 30, 2013

	Business-Type Activities		
	Enterprise Funds		
	Airport	Landfill	Total
OPERATING ACTIVITIES			
Receipts from customers	\$ 485,205	\$ 306,294	\$ 791,499
Payments to suppliers	(416,862)	(1,180,120)	(1,596,982)
Payments to employees	(104,133)	(694,400)	(798,533)
Other receipts	-	56,516	56,516
Net cash used in operating activities	<u>(35,790)</u>	<u>(1,511,710)</u>	<u>(1,547,500)</u>
NONCAPITAL FINANCING ACTIVITIES			
Noncapital grant	14,180	10,333	24,513
Transfers from other funds	<u>178,446</u>	<u>2,673,824</u>	<u>2,852,270</u>
Net cash provided by noncapital financing activities	<u>192,626</u>	<u>2,684,157</u>	<u>2,876,783</u>
CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital contributions and construction grants	708,750	-	708,750
Purchases of capital assets	<u>(472,194)</u>	<u>(2,750,908)</u>	<u>(3,223,102)</u>
Net cash provided by (used in) capital and related financing activities	<u>236,556</u>	<u>(2,750,908)</u>	<u>(2,514,352)</u>
Net increase (decrease) in cash and cash equivalents	393,392	(1,578,461)	(1,185,069)
CASH AND CASH EQUIVALENTS			
Beginning at July 1	<u>230,483</u>	<u>5,802,261</u>	<u>6,032,744</u>
Ending at June 30	<u><u>\$ 623,875</u></u>	<u><u>\$ 4,223,800</u></u>	<u><u>\$ 4,847,675</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:			
Operating loss	\$ (494,015)	\$ (1,933,865)	\$ (2,427,880)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	421,133	210,948	632,081
Change in assets and liabilities:			
(Increase) decrease in:			
Receivables, net	62,520	20,126	82,646
Inventories	1,668	-	1,668
(Decrease) increase in:			
Accounts payable and accrued liabilities	(29,784)	50,768	20,984
Landfill closure and postclosure care	-	128,223	128,223
Compensated absences and OPEB	<u>2,688</u>	<u>12,090</u>	<u>14,778</u>
Net cash used in operating activities	<u><u>\$ (35,790)</u></u>	<u><u>\$ (1,511,710)</u></u>	<u><u>\$ (1,547,500)</u></u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital assets purchases included in accounts payable	<u><u>\$ 8,952</u></u>	<u><u>\$ 1,342</u></u>	<u><u>\$ 10,294</u></u>

COUNTY OF ORANGE, VIRGINIA

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2013

	Talley Memorial Private- Purpose Trust	Agency Funds
ASSETS		
Cash and cash equivalents (Note 3)	\$ 15,000	\$ 459,906
Total assets	15,000	459,906
LIABILITIES		
Amounts held for others	-	459,906
Total liabilities	-	459,906
NET POSITION		
Restricted – held in trust for library needs	\$ 15,000	\$ -

COUNTY OF ORANGE, VIRGINIA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
Year Ended June 30, 2013

	Talley Memorial Private- Purpose Trust
	<u> </u>
NET POSITION AT JULY 1	\$ 15,000
NET POSITION AT JUNE 30	<u><u>\$ 15,000</u></u>

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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 and provides significant funding to operate 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 (the “EDA”) is included as a component unit because the EDA’s primary use of funds is to provide for economic development of the County, thereby benefiting the County. The County appoints all members of the EDA’s Board of Directors. The County may significantly influence the fiscal affairs of the EDA. The EDA does not prepare separate financial statements.

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

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, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

B. Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been 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 position presents both governmental and business-type activities on the accrual basis of accounting, which incorporates long-term assets and receivables, as well as long-term debt and obligations.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* 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 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, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

B. Government-Wide Financial Statements (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 renovations, construction, and improvements related to County assets. Financing is provided by debt issuances and general fund transfers.

The *school capital projects fund* accounts for renovations, construction, and improvements made to school facilities. Financing is provided by debt issuances 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 County reports the following fund types:

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

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

B. Government-Wide Financial Statements (Continued)

Fund Financial Statements (Continued)

Fiduciary funds account for assets held by the government in a trustee capacity or as agent or custodian for individuals, private organizations, other governmental units, or other funds. Agency funds include the Special Welfare, Rapidan Hills Limited Partnership, Commonwealth, Bond Escrow Agency and Parks and Recreation Foundation funds. 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.

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 and available when related grant expenditures are incurred. All other revenue items are considered measurable and available when cash is received. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service, compensated absences, other 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.

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Position 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, if applicable. Any residual balances outstanding between the governmental and business-type activities are reported in the government-wide statements as internal balances. Outstanding balances between the County and the component units are reported as due to/from component unit or due to/from primary government.

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.

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

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

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 its bond issuance and is obligated to repay the funds to the bondholders. In relation to the agreement, a note was signed which requires the nursing home to reimburse the County principal and interest outstanding under the bond obligation as it becomes due. The County additionally required the nursing home to maintain a minimum of two years worth of debt service payments in an escrow account. The County has not recorded this account as it does not become property of the County until a default on the note occurs. The receivable has been deferred in the governmental funds as the amounts are not considered available; however, is recognized in the fund statements as recovered costs when normal payments are received. The note is due in the following installments:

Governmental Activities		
Year Ended	Note Receivable	
	Principal	Interest
2014	\$ 565,000	\$ 859,700
2015	585,000	834,531
2016	610,000	806,118
2017	645,000	774,744
2018	675,000	744,275
2019-2023	3,850,000	3,234,825
2024-2028	4,810,000	2,237,159
2029-2033	6,035,000	1,011,263
2034	1,370,000	30,826
	<u>\$ 19,145,000</u>	<u>\$ 10,533,441</u>

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Position 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 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; however, no interest was capitalized during the year because there is no outstanding debt in the enterprise funds.

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

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

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

Unearned and Deferred Revenue

In the statement of net position, 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, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Position 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 position. 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, if applicable.

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

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

Fund Equity (Continued)

Fund Balances (Continued)

- **Restricted** – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- **Committed** – Amounts constrained to specific purposes by the County, using 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 are constrained by intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by County management based on governing body direction through adoption or amendment of the budget or through ordinance or resolution.
- **Unassigned** – Amounts that are available for any purpose; positive amounts are reported only in the general fund.

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

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

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

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

Fund Equity (Continued)

Minimum Fund Balance Policy (Continued)

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.

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. Encumbrances outstanding at year end of \$362,010 are reported as assigned fund balance since they do not constitute expenditures or liabilities.

Net Position

Net position is the difference between assets and liabilities. Net position invested in capital assets represent capital assets, less accumulated depreciation and 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 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.

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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

Budgetary Information (Continued)

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.
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).

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 3. Deposits and Investments (Continued)

External Investment Pools:

SNAP is an open-end management investment company registered with the Securities and Exchange Commission (the "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.

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

	<u>Fair Value</u>
Deposits:	
Demand deposits	\$ 17,440,687
Cash on hand	4,740
	<u>17,445,427</u>
Investments:	
LGIP	8,532,846
U.S. agencies	7,986,969
Corporate debt	1,458,874
Money market funds	5,445
	<u>35,429,561</u>
Total deposits and investments	<u><u>\$ 35,429,561</u></u>

Total deposits and investment is composed as follows:

Cash and cash equivalents – Primary Government	\$ 14,846,769
Cash and cash equivalents – Component Units	5,464,133
Investments – Primary Government	9,451,288
Restricted cash and cash equivalents – Primary Government	559,249
Restricted cash and cash equivalents – Component Units	<u>5,108,122</u>
Total deposits and investments	<u><u>\$ 35,429,561</u></u>

Restricted cash:

Restricted cash and cash equivalents includes capital lease proceeds which are set aside for ongoing capital projects. They are maintained in separate accounts.

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.

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 3. Deposits and Investments (Continued)

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.

	Moody's Ratings		
	Aaaa	Aaa	Aa
Corporate debt	\$ 750,500	\$ 449,706	\$ 258,668
U.S. agencies	-	7,986,969	-
LGIP	-	8,532,846	-
Money market funds	-	5,445	-
	<u>\$ 750,500</u>	<u>\$ 16,974,966</u>	<u>\$ 258,668</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 funds	\$ 5,445	\$ 5,445	\$ -
LGIP	8,532,846	8,532,846	-
U.S. agencies	7,986,969	1,274,282	6,712,687
Corporate debt	1,458,874	158,395	1,300,479
	<u>\$ 17,984,134</u>	<u>\$ 9,970,968</u>	<u>\$ 8,013,166</u>

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 4. Receivables

Receivables at year end consist of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>	<u>Component Unit – School Board</u>
Receivables				
Taxes	\$ 1,982,302	\$ -	\$ 1,982,302	\$ -
Less: allowance for uncollectible accounts	<u>(200,000)</u>	<u>-</u>	<u>(200,000)</u>	<u>-</u>
Net taxes receivable	1,782,302	-	1,782,302	-
Accounts receivable	1,971,165	38,295	2,009,460	39,695
Less: allowance for uncollectible accounts	<u>(1,038,973)</u>	<u>-</u>	<u>(1,038,973)</u>	<u>-</u>
Net accounts receivable	<u>932,192</u>	<u>38,295</u>	<u>970,487</u>	<u>39,695</u>
Net total receivables	<u><u>\$ 2,714,494</u></u>	<u><u>\$ 38,295</u></u>	<u><u>\$ 2,752,789</u></u>	<u><u>\$ 39,695</u></u>

Taxes receivable represent the current and past four years of uncollected tax levies for personal property taxes and the current and past nineteen years for uncollected tax levies on real property. Governmental activities 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 at year end consist of the following:

	<u>Primary Government</u>	<u>Component Unit – School Board</u>
Commonwealth of Virginia:		
State sales taxes	\$ -	\$ 857,764
Local sales taxes	347,613	-
Communication taxes	8,629	-
Public assistance and welfare administration	75,915	-
Comprehensive youth service	221,921	-
Aviation grant	15,547	-
Sheriff	93,770	-
Commonwealth's Attorney	18,249	-
Clerk of Circuit Court	21,667	-
Treasurer	7,949	-
Commissioner of Revenue	9,285	-
Other	94,040	-
Federal Government:		
Education grants	-	703,643
Aviation grant	54,427	-
Public assistance	<u>97,715</u>	<u>-</u>
	<u><u>\$ 1,066,727</u></u>	<u><u>\$ 1,561,407</u></u>

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 6. Interfund Transfers

Interfund transfers consist of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
General Fund	\$ 50,207	\$ 14,242,896
Virginia Public Assistance Fund	797,465	-
Debt Service Fund	9,632,756	-
County Capital Projects Fund	960,405	49,342
Other Governmental Funds	-	865
Proprietary Funds:		
Airport Fund	178,446	-
Landfill Fund	2,673,824	-
	<u>\$ 14,293,103</u>	<u>\$ 14,293,103</u>
Component Unit – School Board:		
School Operating Fund	\$ -	\$ 449,547
School Textbook Adoptions Fund	449,547	-
	<u>\$ 449,547</u>	<u>\$ 449,547</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.

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 7. Capital Assets

Capital asset activity for the year consist of the following:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not depreciated:				
Land	\$ 1,232,342	\$ -	\$ -	\$ 1,232,342
Construction in progress	27,565	271,720	-	299,285
Total capital assets not depreciated	1,259,907	271,720	-	1,531,627
Capital assets depreciated:				
Buildings and improvements	18,000,227	95,699	-	18,095,926
School buildings and improvements	62,731,685	-	(4,409,990)	58,321,695
Furniture, equipment, and vehicles	8,869,417	802,382	(127,299)	9,544,500
Total capital assets depreciated	89,601,329	898,081	(4,537,289)	85,962,121
Less accumulated depreciation:				
Buildings and improvements	(3,866,378)	(418,934)	-	(4,285,312)
School buildings and improvements	(4,513,145)	(742,489)	-	(5,255,634)
Furniture, equipment, and vehicles	(7,060,244)	(1,131,969)	127,299	(8,064,914)
Total accumulated depreciation	(15,439,767)	(2,293,392)	127,299	(17,605,860)
Capital assets depreciated, net	74,161,562	(1,395,311)	(4,409,990)	68,356,261
Net capital assets	\$ 75,421,469	\$ (1,123,591)	\$ (4,409,990)	\$ 69,887,888

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 7. Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital assets not depreciated:				
Land	\$ 1,901,314	\$ 40,443	\$ -	\$ 1,941,757
Construction in progress	990,559	2,702,052	(3,382,120)	310,491
Total capital assets not depreciated	2,891,873	2,742,495	(3,382,120)	2,252,248
Capital assets depreciated:				
Buildings and improvements	11,139,767	62,183	-	11,201,950
Landfill development costs	-	3,349,705	-	3,349,705
Furniture, equipment, and vehicles	1,202,440	186,457	-	1,388,897
Total capital assets depreciated	12,342,207	3,598,345	-	15,940,552
Less accumulated depreciation for:				
Buildings and improvements	(1,462,927)	(368,629)	-	(1,831,556)
Landfill development costs	-	(123,716)	-	(123,716)
Furniture, equipment, and vehicles	(857,609)	(139,736)	-	(997,345)
Total accumulated depreciation	(2,320,536)	(632,081)	-	(2,952,617)
Capital assets depreciated, net	10,021,671	2,966,264	-	12,987,935
Net capital assets	\$ 12,913,544	\$ 5,708,759	\$ (3,382,120)	\$ 15,240,183

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

	Governmental Activities	Business-Type Activities	Total Primary Government
General government administration	\$ 206,672	\$ -	\$ 206,672
Judicial administration	102,026	-	102,026
Public safety	675,029	-	675,029
Public works	58,965	-	58,965
Health and welfare	364,038	-	364,038
Education	742,489	-	742,489
Parks, recreation, and cultural	78,511	-	78,511
Community development	65,662	-	65,662
Airport	-	421,133	421,133
Landfill	-	210,948	210,948
Total depreciation expense – primary government	\$ 2,293,392	\$ 632,081	\$ 2,925,473

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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, as restated	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not depreciated:				
Land	\$ 1,855,343	\$ -	\$ -	\$ 1,855,343
Construction in progress *	1,379,477	2,671,501	(1,590,161)	2,460,817
Total capital assets not depreciated	3,234,820	2,671,501	(1,590,161)	4,316,160
Capital assets depreciated:				
Buildings and improvements	133,679,189	614,589	-	134,293,778
Allocated to County	(62,731,685)	-	4,409,990	(58,321,695)
Furniture, equipment, and vehicles	12,661,885	1,901,768	(996,506)	13,567,147
Total capital assets depreciated	83,609,389	2,516,357	3,413,484	89,539,230
Less accumulated depreciation:				
Buildings and improvements	(47,926,407)	(2,614,227)	-	(50,540,634)
Allocated to County	4,513,145	742,489	-	5,255,634
Furniture, equipment, and vehicles	(6,567,482)	(1,221,584)	972,263	(6,816,803)
Total accumulated depreciation	(49,980,744)	(3,093,322)	972,263	(52,101,803)
Capital assets depreciated, net	33,628,645	(576,965)	4,385,747	37,437,427
Net capital assets	\$ 36,863,465	\$ 2,094,536	\$ 2,795,586	\$ 41,753,587

*Beginning construction in progress and the related capital lease payable were overstated by \$79,814 at June 30, 2012. These amounts have been restated with no effect on beginning net position.

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

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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	\$ 61,063,084	\$ -	\$ 4,377,040	\$ 56,686,044	\$ 4,333,126
Premium on bonds	2,715,223	-	305,545	2,409,678	287,943
	<u>63,778,307</u>	<u>-</u>	<u>4,682,585</u>	<u>59,095,722</u>	<u>4,621,069</u>
Lease revenue/refunding bonds	28,775,000	-	790,000	27,985,000	825,000
Discount on bonds	(580,227)	-	(43,758)	(536,469)	(42,635)
Deferred amount on refunding	(340,347)	-	(25,682)	(314,665)	(24,993)
	<u>27,854,426</u>	<u>-</u>	<u>720,560</u>	<u>27,133,866</u>	<u>757,372</u>
Capital leases	1,050,901	747,000	231,914	1,565,987	311,310
Other post-employment benefits	615,396	113,122	-	728,518	-
Compensated absences	817,949	613,461	487,638	943,772	707,830
	<u>\$ 94,116,979</u>	<u>\$ 1,473,583</u>	<u>\$ 6,122,697</u>	<u>\$ 89,467,865</u>	<u>\$ 6,397,581</u>
Business-Type Activities:					
Compensated absences	\$ 28,355	\$ 21,266	\$ 9,826	\$ 39,795	\$ 29,846
Other post-employment benefits	30,904	3,561	-	34,465	-
Landfill closure/post-closure	4,027,000	157,745	29,745	4,155,000	2,441,924
	<u>\$ 4,086,259</u>	<u>\$ 182,572</u>	<u>\$ 39,571</u>	<u>\$ 4,229,260</u>	<u>\$ 2,471,770</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.

Discretely Presented Component Unit – School Board:

	Beginning Balance	Increases	Decreases	Ending Balance	Due within One Year
Governmental Activities:					
Compensated absences	\$ 1,460,794	\$ 384,612	\$ 292,159	\$ 1,553,247	\$ 310,649
Other post-employment benefits	1,890,700	210,809	-	2,101,509	-
Capital leases *	1,073,076	6,198,242	214,886	7,056,432	205,296
	<u>\$ 4,424,570</u>	<u>\$ 6,793,663</u>	<u>\$ 507,045</u>	<u>\$ 10,711,188</u>	<u>\$ 515,945</u>

*Beginning construction in progress and the related capital lease payable were overstated by \$79,814 at June 30, 2012. These amounts have been restated with no effect on beginning net position.

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 8. Long-Term Liabilities (Continued)

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	\$ 603,428
Library and industrial park	2.82	05/29/2003	07/15/2013	\$ 1,528,900	170,600
School:					
VPSA bond	5.4-5.975	05/18/1995	07/15/2015	\$ 530,000	75,000
VPSA bond	6.1-6.3	05/05/1994	07/15/2013	\$ 925,000	50,000
VPSA bond	4.975-5.85	11/16/2000	07/15/2020	\$ 2,830,000	1,190,000
School improvement bond	4.1-5.6	05/25/2001	07/15/2021	\$ 25,000,000	14,480,000
VPSA bond	2.35-5.10	11/07/2002	07/15/2023	\$ 1,615,000	990,000
School improvement bond	2.30-3.59	11/10/2005	07/15/2025	\$ 13,935,316	9,267,016
VPSA bond	4.35-5.10	11/08/2007	07/15/2027	\$ 5,220,000	3,900,000
VPSA bond	4.05-5.05	05/07/2009	07/15/2029	\$ 30,550,000	25,960,000
					<u>\$ 56,686,044</u>

Lease Revenue and Refunding Bonds:

Courthouse and nursing home	4.25-5.0	09/06/2007	02/01/2034	\$ 31,235,000	<u>\$ 27,985,000</u>
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Capital Leases:

Pierce Fire Trucks	3.57	03/14/2008	02/01/2018	\$ 1,644,968	\$ 890,744
Financial Software and other equipment	1.78	09/27/2012	09/27/2017	\$ 747,000	<u>675,243</u>
					<u>\$ 1,565,987</u>

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 8. Long-Term Liabilities (Continued)

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
2014	\$ 4,333,126	\$ 2,666,900	\$ 825,000	\$ 1,274,219	\$ 311,310	\$ 43,265
2015	4,199,903	2,463,986	855,000	1,239,156	319,833	34,653
2016	4,284,363	2,259,014	895,000	1,200,681	328,612	25,873
2017	4,359,248	2,045,169	940,000	1,155,931	337,658	16,827
2018	4,459,467	1,827,025	985,000	1,108,931	268,574	7,506
2019-2023	20,846,922	5,799,520	5,630,000	4,857,119	-	-
2024-2028	11,153,015	1,918,267	7,035,000	3,431,044	-	-
2029-2033	3,050,000	139,728	8,815,000	1,676,025	-	-
2034	-	-	2,005,000	90,225	-	-
	<u>\$ 56,686,044</u>	<u>\$ 19,119,609</u>	<u>\$ 27,985,000</u>	<u>\$ 16,033,331</u>	<u>\$ 1,565,987</u>	<u>\$ 128,124</u>

The assets acquired through capital leases are as follows:

	Governmental Activities
Vehicles – Pierce fire trucks	\$ 1,644,939
Equipment – Financial software and other equipment	227,490
	<u>1,872,429</u>
Less: accumulated depreciation	<u>(1,644,939)</u>
	<u>\$ 227,490</u>

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 8. Long-Term Liabilities (Continued)

Capital Leases – 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	\$ 1,073,075	\$ 858,189
Energy performance contract	2.59%	03/27/2013	09/27/2028	\$ 6,198,242	6,198,242
					<u>7,056,431</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>
2014	\$ 205,296	\$ 25,282
2015	460,122	339,735
2016	503,691	165,258
2017	530,817	151,305
2018	328,493	136,620
2019-2023	2,002,742	541,042
2024-2028	2,707,330	242,212
2029	317,940	4,117
	<u>\$ 7,056,431</u>	<u>\$ 1,605,571</u>

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Phone system	\$ 1,073,076
Energy performance contract	1,517,495
	<u>2,590,571</u>
Less: accumulated depreciation	<u>(98,365)</u>
	<u>\$ 2,492,206</u>

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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)

The County contributes to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System (the "System"). All full-time, salaried permanent (professional) employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five 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 were vested as of January 1, 2013 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 as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit.
- Members hired or rehired on or after July 1, 2010 and Plan 1 members who were not vested on January 1, 2013 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.

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 9. Defined Benefit Pension Plan (Continued)

A. Plan Description (Continued)

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. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier. 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.

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 3.00%. 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 (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the most recent report may be obtained from the VRS Web site at <http://www.varetire.org/PDF/Publications/2012-Annual-Report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 9. Defined Benefit Pension Plan (Continued)

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 compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the County is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The County and School's contribution rate for the fiscal year ended June 30, 2013 was 12.06% and 8.14% of annual covered payroll, respectively. The contribution rate for School Board professional employees for the VRS state-wide teacher pool was 11.66%. The School Board's contributions for professional employees were \$2,834,526, \$1,401,401, and \$1,019,365 to the teacher cost-sharing pool for the years ended June 30, 2013, 2012 and 2011, respectively and these contributions represented 11.66%, 6.33% and 3.93%, respectively, of current covered payroll.

C. Annual Pension Cost

For 2013, the County and School Board's annual pension cost was equal to the 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, 2013	\$ 958,005	100%	\$ -
June 30, 2012	\$ 996,259	100%	\$ -
June 30, 2011	\$ 655,291	100%	\$ -
<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
School Board Non-Professional:			
June 30, 2013	\$ 237,287	100%	\$ -
June 30, 2012	\$ 154,672	100%	\$ -
June 30, 2011	\$ 162,101	100%	\$ -

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 9. Defined Benefit Pension Plan (Continued)

C. Annual Pension Cost (Continued)

The 2013 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumption at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00% (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% per year 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 for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases also include an inflation component of 2.50%. The actuarial value of the 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 unfunded actuarial accrued liability is being amortized as level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 29 years.

D. Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the County's plan was 75.85% funded. The actuarial accrued liability for benefits was \$27,214,482, and the actuarial value of assets was \$20,643,238, resulting in an unfunded actuarial accrued liability (UAAL) of \$6,571,244. The covered payroll (annual payroll of active employees covered by the plan) was \$7,973,698, and the ratio of the UAAL to the covered payroll was 82.41%.

As of June 30, 2012, the most recent actuarial valuation date, the School Board's non-professional plan was 88.05% funded. The actuarial accrued liability for benefits was \$7,922,632, and the actuarial value of assets was \$6,975,575, resulting in an unfunded actuarial accrued liability (UAAL) of \$947,057. The covered payroll (annual payroll of active employees covered by the plan) was \$2,637,945, and the ratio of the UAAL to the covered payroll was 35.90%.

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 the 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, 2013

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 pays 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	\$ 138,700
Interest on net OPEB obligation	25,853
Adjustment to annual required contribution	<u>(23,170)</u>
Annual OPEB cost (expense)	141,383
Contribution by employer	<u>(24,700)</u>
Increase in net OPEB obligation	116,683
Net OPEB obligation - beginning of year	<u>646,300</u>
Net OPEB obligation - end of year	<u><u>\$ 762,983</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, 2013	\$ 141,383	17%	\$ 762,983
June 30, 2012	\$ 206,500	21%	\$ 646,300
June 30, 2011	\$ 195,605	19%	\$ 483,000

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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)	\$ 857,200
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability	\$ 857,200
Funded ratio (actuarial value of plan assets (AAL)	- %
Covered payroll (active plan members)	\$ 8,504,200
UAAL as a percentage of covered payroll	10.08 %

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 7.5 percent initially, graded to 4.80 percent over 71 years. A payroll growth rate of 3.75 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, 2012, was thirty years.

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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	\$ 336,300
Interest on net OPEB obligation	75,630
Adjustment to annual required contribution	<u>(67,821)</u>
Annual OPEB cost (expense)	344,109
Contribution by employer	<u>(133,300)</u>
Increase in net OPEB obligation	210,809
Net OPEB obligation - beginning of year	<u>1,890,700</u>
Net OPEB obligation - end of year	<u><u>\$ 2,101,509</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, 2013	\$ 344,109	39%	\$ 2,101,509
June 30, 2012	\$ 766,200	36%	\$ 1,890,700
June 30, 2011	\$ 726,287	29%	\$ 1,402,000

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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)	\$ 3,105,100
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability	\$ 3,105,100
Funded ratio (actuarial value of plan assets)	-%
Covered payroll (active plan members)	\$ 25,143,100
UAAL as a percentage of covered payroll	12.35%

E. Actuarial Methods and Assumptions

The same methods and assumptions used by the County were used by the School Board in the actuarial valuation.

Note 11. Landfill Closure and Post-Closure Care Cost

Permit 90 – Closed Landfill

The County closed its former landfill site in 2013. State and federal laws and regulations require the County to place a final cover and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The cumulative amount of estimated closure, postclosure care, and corrective action costs for this site, less costs paid to date, totals \$4,058,855. Actual costs may be higher due to inflation, changes in technology, changes in regulations or other unforeseen circumstances. The County intends to fund these costs from funds accumulated for this purpose in the Landfill Fund as well as transfers from the General Fund.

Permit 566 – Open Landfill

The County owns and operates a landfill site from which it collects tipping fees based upon the source of the waste. The landfill began accepting waste in January 2013.

State and federal laws will require the County to place a final cover on this site when it stops accepting waste and to perform maintenance and monitoring functions for 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 \$96,145 reported as landfill closure and postclosure liability as of June 30 represents the cumulative amount reported to date based on estimated use of approximately 4.7% of the estimated capacity of Cell #1 for closure costs and use of approximately 0.5% of the estimated capacity of the entire landfill site for postclosure costs. The remaining estimated cost of closure and post closure care of \$4,443,668 will be recognized as remaining capacity is filled. Actual future costs may be higher due to inflation, changes in technology, changes in regulations, or other unforeseen circumstances.

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 11. Landfill Closure and Post-Closure Care Cost (Continued)

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

Federal Grants

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

Commitments

The School Board has entered into various construction contracts. Future amounts due under these agreements are approximately \$5,580,000 at year end.

Note 13. Risk Management

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

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

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

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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 and School Board are bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints are presented below:

	<u>General</u>	<u>Virginia Public Assistance</u>	<u>County Capital Projects Fund</u>	<u>School Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>Component Unit – School Board</u>
Restricted for:							
Capital projects	\$ -	\$ -	\$ 714,249	\$ -	\$ -	\$ 714,249	\$ 4,680,747
Total restricted	<u>-</u>	<u>-</u>	<u>714,249</u>	<u>-</u>	<u>-</u>	<u>714,249</u>	<u>4,680,747</u>
Committed to:							
Community development	71,125	-	-	-	-	71,125	-
Judicial administration	-	-	-	-	46,870	46,870	-
Public safety	-	-	-	-	18,584	18,584	-
Health and welfare	-	186,897	-	-	-	186,897	-
Total committed	<u>71,125</u>	<u>186,897</u>	<u>-</u>	<u>-</u>	<u>65,454</u>	<u>323,476</u>	<u>-</u>
Assigned to:							
Education	-	-	-	16,645	-	16,645	916,274
Subsequent year appropriation of fund balance	82,564	-	-	-	-	82,564	-
Other capital projects	-	-	1,584,364	-	-	1,584,364	-
Total assigned	<u>82,564</u>	<u>-</u>	<u>1,584,364</u>	<u>16,645</u>	<u>-</u>	<u>1,683,573</u>	<u>916,274</u>
Unassigned	<u>18,297,201</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,297,201</u>	<u>-</u>
Total fund balance	<u>\$ 18,450,890</u>	<u>\$ 186,897</u>	<u>\$ 2,298,613</u>	<u>\$ 16,645</u>	<u>\$ 65,454</u>	<u>\$ 21,018,499</u>	<u>\$ 5,597,021</u>

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 15. Subsequent Events

Subsequent to year end, the County entered into a lease agreement in the amount of \$56,207 to finance new emergency equipment. Annual payments are due in the amount of \$14,052 until maturity in August 2017.

Note 16. Pending GASB Statements

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

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.

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 16. Pending GASB Statements (continued)

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.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* was issued to provide governmental guidance on governmental combinations and disposals of governmental operations that does not conflict with GASB Statement No. 34. The objective of this Statement is to improve financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operations. A disposal of a government's operations results in the removal of specific activities of a government. This Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial Statement users to evaluate the nature and financial effects of those transactions. This Statement will be effective for the year ending June 30, 2015.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* was issued to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. This Statement also provides guidance on the accounting for the government if they are the obligor in the transaction and on intra-entity nonexchange financial guarantees involving blended component units. This Statement specifies the information required to be disclosed by governments that extend or receive nonexchange financial guarantees. This Statement will be effective for the year ending June 30, 2014.

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

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**REQUIRED
SUPPLEMENTARY INFORMATION**

COUNTY OF ORANGE, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
General Property Taxes	\$ 34,832,264	\$ 34,674,545	\$ 35,560,361	\$ 885,816
Other Local Taxes	6,275,204	4,694,629	4,816,525	121,896
Permits, Fees, License	248,700	250,800	354,996	104,196
Use of Money & Property	1,705,156	1,705,156	1,615,127	(90,029)
Charges for Services	2,282,476	2,051,718	1,697,242	(354,476)
Miscellaneous Revenues	383,016	542,822	322,767	(220,055)
Recovered Costs	89,405	165,528	172,667	7,139
Non-Categorical Aid	2,831,073	4,411,648	4,288,213	(123,435)
Shared Expenses	1,931,220	1,937,164	1,898,274	(38,890)
Other Categorical Aid-State	2,181,289	2,228,631	1,545,882	(682,749)
Federal Grants	4,000	13,885	12,836	(1,049)
Destroyed Livestock Revenue	3,000	3,000	-	(3,000)
Transfers in	38,719	50,207	50,207	-
Total revenues	52,805,522	52,729,733	52,335,097	(394,636)
EXPENDITURES				
Current:				
Board of Supervisors	123,256	141,372	94,896	46,476
County Administration	437,383	447,642	419,262	28,380
County Attorney	309,350	361,099	255,191	105,908
Human Resources	204,332	282,701	143,249	139,452
Comm. Of Rev/Reassessment	380,578	391,082	373,810	17,272
Treasurer	378,817	395,094	394,365	729
Finance	381,114	395,954	386,556	9,398
Independent Auditor	50,650	57,666	56,310	1,356
Information Technology	379,970	514,913	482,414	32,499
Electoral Board	223,071	239,524	216,461	23,063
Circuit Court Judge	58,542	60,332	24,994	35,338
Gen Dist & Juvenile Court	11,380	11,380	10,487	893
Magistrates	2,900	2,900	2,310	590
Circuit Court Clerk & Jury	477,863	522,026	499,009	23,017
Commonwealth Attorney	431,430	418,606	414,188	4,418
Sheriff	3,351,569	3,534,962	3,410,509	124,453
E911 & Gen Dispatch	830,209	854,194	742,809	111,385
Office Fire & Emergency Services	4,089,328	4,312,881	4,152,958	159,923
Probation Services	2,650	2,650	2,723	(73)
Planning Department	345,993	394,573	280,582	113,991
Building Inspection	343,744	356,110	305,118	50,992
Animal Shelter	437,943	570,825	550,501	20,324
Department of Public Works	847,882	899,438	854,968	44,470
Parks & Recreation & Office on Youth	179,451	235,759	192,309	43,450
Office on Youth	2,728,512	2,792,199	2,071,541	720,658
Library	909,992	948,226	909,572	38,654
Economic Development	229,234	265,575	231,977	33,598
Tourism	217,385	261,046	212,370	48,676
Non-Departmental	36,084,232	37,566,906	35,664,209	1,902,697
Total expenditures	54,448,760	57,237,635	53,355,648	3,881,987
Excess of revenues (under) expenditures	(1,643,238)	(4,507,902)	(1,020,551)	3,487,351
Net change in fund balance	\$ (1,643,238)	\$ (4,507,902)	\$ (1,020,551)	\$ 3,487,351

COUNTY OF ORANGE, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
VIRGINIA PUBLIC ASSISTANCE FUND
Year Ended June 30, 2013**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenues:				
Commonwealth	\$ 1,864,078	\$ 1,862,782	\$ 874,829	\$ (987,953)
Federal	746,289	745,772	968,572	222,800
Total revenues	2,610,367	2,608,554	1,843,401	(765,153)
EXPENDITURES				
Current:				
Health and welfare	3,407,832	3,440,107	2,683,117	756,990
Total expenditures	3,407,832	3,440,107	2,683,117	756,990
Excess (deficiency) of revenues over expenditures	(797,465)	(831,553)	(839,716)	(8,163)
OTHER FINANCING SOURCES				
Transfers in	797,465	797,465	797,465	-
Total other financing sources	797,465	797,465	797,465	-
Net change in fund balance	\$ -	\$ (34,088)	\$ (42,251)	\$ (8,163)

COUNTY OF ORANGE, VIRGINIA

SCHEDULES OF FUNDING PROGRESS – PENSION AND OTHER POST-EMPLOYMENT BENEFITS
June 30, 2013

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, 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%
June 30, 2012	\$ 20,643,238	\$ 27,214,482	\$ 6,571,244	75.85%	\$ 7,973,698	82.41%
B. Discretely Presented Component Unit – School Board:						
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%
June 30, 2012	\$ 6,975,575	\$ 7,922,632	\$ 947,057	88.05%	\$ 2,637,945	35.90%

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%
July 1, 2012	\$ -	\$ 857,200	\$ 857,200	0.00%	\$ 8,504,200	10.08%
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%
July 1, 2012	\$ -	\$ 3,105,100	\$ 3,105,100	0.00%	\$ 25,143,100	12.35%

COUNTY OF ORANGE, VIRGINIA

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2013

Note 1. The State of Virginia requires all local 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 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**

COUNTY OF ORANGE, VIRGINIA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2013

	<u>Asset Forfeiture</u>	<u>Law Library</u>	<u>Totals</u>
ASSETS			
Cash and cash equivalents	\$ 19,704	\$ 47,385	\$ 67,089
Total assets	<u>\$ 19,704</u>	<u>\$ 47,385</u>	<u>\$ 67,089</u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	<u>1,120</u>	<u>515</u>	<u>1,635</u>
Total liabilities	<u>1,120</u>	<u>515</u>	<u>1,635</u>
Fund balances:			
Committed	<u>18,584</u>	<u>46,870</u>	<u>65,454</u>
Total fund balances	<u>18,584</u>	<u>46,870</u>	<u>65,454</u>
Total liabilities and fund balances	<u>\$ 19,704</u>	<u>\$ 47,385</u>	<u>\$ 67,089</u>

COUNTY OF ORANGE, VIRGINIA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
Year Ended June 30, 2013**

	Asset Forfeiture	Law Library	Totals
REVENUES			
Charges for services	\$ -	\$ 6,414	\$ 6,414
Intergovernmental revenues:			
Commonwealth	9,828	-	9,828
Total revenues	9,828	6,414	16,242
EXPENDITURES			
Current:			
Judicial administration	143	5,930	6,073
Public safety	4,326	-	4,326
Total expenditures	4,469	5,930	10,399
Excess of revenues over expenditures	5,359	484	5,843
OTHER FINANCING SOURCES (USES)			
Transfers out	-	(865)	(865)
Total other financing sources (uses)	-	(865)	(865)
Net change in fund balances	5,359	(381)	4,978
FUND BALANCES AT JULY 1	13,225	47,251	60,476
FUND BALANCES AT JUNE 30	\$ 18,584	\$ 46,870	\$ 65,454

COUNTY OF ORANGE, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS
Year Ended June 30, 2013**

	Asset Forfeiture Fund				Law Library Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final		
REVENUES								
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ 7,000	\$ 7,000	\$ 6,414	\$ (586)
Intergovernmental revenues:								
Commonwealth	-	5,847	9,828	3,981	-	-	-	-
Total revenues	-	5,847	9,828	3,981	7,000	7,000	6,414	(586)
EXPENDITURES								
Current:								
Judicial administration	-	6,908	143	6,765	7,000	10,135	5,930	4,205
Public safety	-	12,082	4,326	7,756	-	-	-	-
Total expenditures	-	18,990	4,469	14,521	7,000	10,135	5,930	4,205
Excess of revenues over (under) expenditures	-	(13,143)	5,359	18,502	-	(3,135)	484	3,619
OTHER FINANCING SOURCES (USES)								
Transfers in	-	13,143	-	13,143	-	4,000	-	4,000
Transfers out	-	-	-	-	-	(865)	(865)	-
Total other financing sources (uses)	-	13,143	-	13,143	-	3,135	(865)	4,000
Net change in fund balances	\$ -	\$ -	\$ 5,359	\$ 5,359	\$ -	\$ -	\$ (381)	\$ 7,619

COUNTY OF ORANGE, VIRGINIA

COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2013

	Special Welfare	Rapidan Hills Limited Partnership	Commonwealth	Bond Escrow Agency	Parks and Recreation Foundation	Total
ASSETS						
Cash and cash equivalents	\$ 66,170	\$ 7,798	\$ 48,920	\$ 335,036	\$ 1,982	\$ 459,906
Total assets	<u>\$ 66,170</u>	<u>\$ 7,798</u>	<u>\$ 48,920</u>	<u>\$ 335,036</u>	<u>\$ 1,982</u>	<u>\$ 459,906</u>
LIABILITIES						
Amounts held for others	\$ 66,170	\$ 7,798	\$ 48,920	\$ 335,036	\$ 1,982	\$ 459,906
Total liabilities	<u>\$ 66,170</u>	<u>\$ 7,798</u>	<u>\$ 48,920</u>	<u>\$ 335,036</u>	<u>\$ 1,982</u>	<u>\$ 459,906</u>

COUNTY OF ORANGE, VIRGINIA
COMBINING STATEMENT OF CHANGES IN
ASSETS AND LIABILITIES
AGENCY FUNDS
Year Ended June 30, 2013

	Beginning Balance	Additions	Deletions	Ending Balance
Special Welfare Fund				
ASSETS				
Cash and cash equivalents	\$ 55,083	\$ 121,824	\$ 110,737	\$ 66,170
Total assets	<u>\$ 55,083</u>	<u>\$ 121,824</u>	<u>\$ 110,737</u>	<u>\$ 66,170</u>
LIABILITIES				
Amounts held for others	\$ 55,083	\$ 121,824	\$ 110,737	\$ 66,170
Total liabilities	<u>\$ 55,083</u>	<u>\$ 121,824</u>	<u>\$ 110,737</u>	<u>\$ 66,170</u>
Rapidan Hills Limited Partnership				
ASSETS				
Cash and cash equivalents	\$ 7,763	\$ 35	\$ -	\$ 7,798
Total assets	<u>\$ 7,763</u>	<u>\$ 35</u>	<u>\$ -</u>	<u>\$ 7,798</u>
LIABILITIES				
Amounts held for others	\$ 7,763	\$ 35	\$ -	\$ 7,798
Total liabilities	<u>\$ 7,763</u>	<u>\$ 35</u>	<u>\$ -</u>	<u>\$ 7,798</u>
Commonwealth Fund				
ASSETS				
Cash and cash equivalents	\$ 26,899	\$ 1,794,433	\$ 1,772,412	\$ 48,920
Total assets	<u>\$ 26,899</u>	<u>\$ 1,794,433</u>	<u>\$ 1,772,412</u>	<u>\$ 48,920</u>
LIABILITIES				
Amounts held for others	\$ 26,899	\$ 1,794,433	\$ 1,772,412	\$ 48,920
Total liabilities	<u>\$ 26,899</u>	<u>\$ 1,794,433</u>	<u>\$ 1,772,412</u>	<u>\$ 48,920</u>
Bond Escrow Agency Fund				
ASSETS				
Cash and cash equivalents	\$ 287,808	\$ 47,228	\$ -	\$ 335,036
Total assets	<u>\$ 287,808</u>	<u>\$ 47,228</u>	<u>\$ -</u>	<u>\$ 335,036</u>
LIABILITIES				
Amounts held for others	\$ 287,808	\$ 47,228	\$ -	\$ 335,036
Total liabilities	<u>\$ 287,808</u>	<u>\$ 47,228</u>	<u>\$ -</u>	<u>\$ 335,036</u>
Parks and Recreation Foundation Fund				
ASSETS				
Cash and cash equivalents	\$ -	\$ 2,832	\$ 850	\$ 1,982
Total assets	<u>\$ -</u>	<u>\$ 2,832</u>	<u>\$ 850</u>	<u>\$ 1,982</u>
LIABILITIES				
Amounts held for others	\$ -	\$ 2,832	\$ 850	\$ 1,982
Total liabilities	<u>\$ -</u>	<u>\$ 2,832</u>	<u>\$ 850</u>	<u>\$ 1,982</u>
Totals – All Agency Funds				
ASSETS				
Cash and cash equivalents	\$ 377,553	\$ 1,966,352	\$ 1,883,999	\$ 459,906
Total assets	<u>\$ 377,553</u>	<u>\$ 1,966,352</u>	<u>\$ 1,883,999</u>	<u>\$ 459,906</u>
LIABILITIES				
Amounts held for others	\$ 377,553	\$ 1,966,352	\$ 1,883,999	\$ 459,906
Total liabilities	<u>\$ 377,553</u>	<u>\$ 1,966,352</u>	<u>\$ 1,883,999</u>	<u>\$ 459,906</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.

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COUNTY OF ORANGE, VIRGINIA

COMBINING BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
Year Ended June 30, 2013

	School Operating	School Textbook Adoptions	Adult Education	Total Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 3,091,181	\$ 902,683	\$ 1,990	\$ 86,936	\$ 4,082,790
Accounts receivable, net	335,915	-	12,879	6,671	355,465
Due from other funds	72,606	-	-	-	72,606
Due from other governmental units	1,361,505	-	15,738	184,164	1,561,407
Restricted cash	5,108,122	-	-	-	5,108,122
Total assets	<u>\$ 9,969,329</u>	<u>\$ 902,683</u>	<u>\$ 30,607</u>	<u>\$ 277,771</u>	<u>\$ 11,180,390</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 1,586,066	\$ 2,314	\$ 8,745	\$ 105,266	\$ 1,702,391
Accrued liabilities	3,702,516	-	14,451	164,011	3,880,978
Total liabilities	<u>5,288,582</u>	<u>2,314</u>	<u>23,196</u>	<u>269,277</u>	<u>5,583,369</u>
Fund balances:					
Restricted	4,680,747	-	-	-	4,680,747
Assigned	-	900,369	7,411	8,494	916,274
Total fund balances	<u>4,680,747</u>	<u>900,369</u>	<u>7,411</u>	<u>8,494</u>	<u>5,597,021</u>
Total liabilities and fund balances	<u>\$ 9,969,329</u>	<u>\$ 902,683</u>	<u>\$ 30,607</u>	<u>\$ 277,771</u>	<u>\$ 11,180,390</u>

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:

Total fund balances – governmental funds	\$ 5,597,021
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	41,753,587
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Other post-employment benefits	(2,101,509)
Compensated absences	(1,553,247)
Capital leases payable	(7,056,432)
Accrued interest	(63,308)
Net position of governmental activities	<u><u>\$ 36,576,112</u></u>

COUNTY OF ORANGE, VIRGINIA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
Year Ended June 30, 2013**

	School Operating	School Textbook Adoptions	Adult Education	Total Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Revenue from the use of money and property	\$ 15,618	\$ -	\$ -	\$ 74	\$ 15,692
Charges for services	55,007	1,951	5,126	793,114	855,198
Miscellaneous	257,914	-	26,538	-	284,452
Intergovernmental revenues:					
County contribution	19,596,546	-	10,526	-	19,607,072
Commonwealth	23,858,743	-	133,667	30,468	24,022,878
Federal	2,183,168	-	149,793	2,257,902	4,590,863
Total revenues	<u>45,966,996</u>	<u>1,951</u>	<u>325,650</u>	<u>3,081,558</u>	<u>49,376,155</u>
EXPENDITURES					
Current:					
Education	47,134,505	465,598	331,211	3,213,664	51,144,978
Debt service:					
Principal	214,886				214,886
Interest	13,081				13,081
Total expenditures	<u>47,362,472</u>	<u>465,598</u>	<u>331,211</u>	<u>3,213,664</u>	<u>51,372,945</u>
Excess (deficiency) of revenues over expenditures	<u>(1,395,476)</u>	<u>(463,647)</u>	<u>(5,561)</u>	<u>(132,106)</u>	<u>(1,996,790)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	449,547	-	-	449,547
Transfers out	(449,547)	-	-	-	(449,547)
Insurance recoveries	315,770	-	-	-	315,770
Issuance of capital lease	6,198,242	-	-	-	6,198,242
Total other financing sources and uses	<u>6,064,465</u>	<u>449,547</u>	<u>-</u>	<u>-</u>	<u>6,514,012</u>
Net change in fund balances	<u>4,668,989</u>	<u>(14,100)</u>	<u>(5,561)</u>	<u>(132,106)</u>	<u>4,517,222</u>
FUND BALANCES AT JULY 1	<u>11,758</u>	<u>914,469</u>	<u>12,972</u>	<u>140,600</u>	<u>1,079,799</u>
FUND BALANCES AT JUNE 30	<u>\$ 4,680,747</u>	<u>\$ 900,369</u>	<u>\$ 7,411</u>	<u>\$ 8,494</u>	<u>\$ 5,597,021</u>

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

Net change in fund balances – total governmental funds	\$ 4,517,222
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	3,597,697
Depreciation expense	(3,093,322)
Allocation of debt financed school assets based on current year repayments and drawdowns of bond proceeds	<u>4,409,990</u>
	4,914,365
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 position.	
Capital lease proceeds	(6,198,242)
Capital lease principal payments	214,886
The net effect of various transactions involving capital assets (i.e. sales, trade-ins, dispositions, and insurance proceeds is to decrease net position).	(24,243)
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	(92,453)
Other post-employment benefits	(210,809)
Accrued interest	<u>(63,308)</u>
Change in net position of governmental activities	<u>\$ 3,057,418</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, 2013**

	School Operating Fund				School Textbook Adoptions Fund				Adult Education Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final			Original	Final		
REVENUES												
Revenue from the use of money and property	\$ 19,654	\$ 19,654	\$ 15,618	\$ (4,036)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	77,500	77,500	55,007	(22,493)	-	-	1,951	1,951	26,236	26,236	5,126	(21,110)
Miscellaneous	122,393	122,501	257,914	135,413	-	-	-	-	55,239	55,239	26,538	(28,701)
Intergovernmental revenues:												
County contribution	18,629,732	20,844,649	19,596,546	(1,248,103)	-	-	-	-	14,156	14,156	10,526	(3,630)
Commonwealth	23,928,795	24,146,500	23,858,743	(287,757)	-	-	-	-	76,718	76,718	133,667	56,949
Federal	2,130,884	2,135,600	2,183,168	47,568	-	-	-	-	209,019	209,019	149,793	(59,226)
Total revenues	44,908,958	47,346,404	45,966,996	(1,379,408)	-	-	1,951	1,951	381,368	381,368	325,650	(55,718)
EXPENDITURES												
Current:												
Education	44,194,411	46,631,857	47,134,505	(502,648)	580,000	580,000	465,598	114,402	381,368	381,368	331,211	50,157
Debt service:												
Principal	265,000	265,000	214,886	50,114	-	-	-	-	-	-	-	-
Interest	-	-	13,081	(13,081)	-	-	-	-	-	-	-	-
Total expenditures	44,459,411	46,896,857	47,362,472	(465,615)	580,000	580,000	465,598	114,402	381,368	381,368	331,211	50,157
Excess (deficiency) of revenues over expenditures	449,547	449,547	(1,395,476)	(1,845,023)	(580,000)	(580,000)	(463,647)	116,353	-	-	(5,561)	(5,561)
OTHER FINANCING SOURCES (USES)												
Transfers in	-	-	-	-	580,000	580,000	449,547	(130,453)	-	-	-	-
Transfers out	(449,547)	(449,547)	(449,547)	-	-	-	-	-	-	-	-	-
Insurance recoveries	-	-	315,770	315,770	-	-	-	-	-	-	-	-
Issuance of capital lease	-	-	6,198,242	6,198,242	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(449,547)	(449,547)	6,064,465	6,514,012	580,000	580,000	449,547	(130,453)	-	-	-	-
Net change in fund balances	\$ -	\$ -	\$ 4,668,989	\$ 4,668,989	\$ -	\$ -	\$ (14,100)	\$ (14,100)	\$ -	\$ -	\$ (5,561)	\$ (5,561)

COUNTY OF ORANGE, VIRGINIA

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
June 30, 2013**

	School Cafeteria	Employee Childcare	Head Start	Total
ASSETS				
Cash and cash equivalents	\$ -	\$ 8,383	\$ 78,553	\$ 86,936
Accounts receivable, net	5,565	1,106	-	6,671
Due from other governmental units	184,164	-	-	184,164
Total assets	<u>\$ 189,729</u>	<u>\$ 9,489</u>	<u>\$ 78,553</u>	<u>\$ 277,771</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 103,066	\$ 809	\$ 1,391	\$ 105,266
Accrued liabilities	79,730	7,119	77,162	164,011
Total liabilities	<u>182,796</u>	<u>7,928</u>	<u>78,553</u>	<u>269,277</u>
Fund balances:				
Assigned	<u>6,933</u>	<u>1,561</u>	<u>-</u>	<u>8,494</u>
Total fund balances	<u>6,933</u>	<u>1,561</u>	<u>-</u>	<u>8,494</u>
Total liabilities and fund balances	<u>\$ 189,729</u>	<u>\$ 9,489</u>	<u>\$ 78,553</u>	<u>\$ 277,771</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, 2013**

	<u>School Cafeteria</u>	<u>Employee Childcare</u>	<u>Head Start</u>	<u>Total</u>
REVENUES				
Revenue from the use of money and property	\$ 74	\$ -	\$ -	\$ 74
Charges for services	714,436	78,678	-	793,114
Intergovernmental revenues:				
Commonwealth	30,468	-	-	30,468
Federal	981,199	-	1,276,703	2,257,902
	<u>1,726,177</u>	<u>78,678</u>	<u>1,276,703</u>	<u>3,081,558</u>
Total revenues				
	<u>1,726,177</u>	<u>78,678</u>	<u>1,276,703</u>	<u>3,081,558</u>
EXPENDITURES				
Current:				
Education	<u>1,859,195</u>	<u>77,766</u>	<u>1,276,703</u>	<u>3,213,664</u>
Total expenditures				
	<u>1,859,195</u>	<u>77,766</u>	<u>1,276,703</u>	<u>3,213,664</u>
Net change in fund balances	(133,018)	912	-	(132,106)
FUND BALANCES AT JULY 1	<u>139,951</u>	<u>649</u>	<u>-</u>	<u>140,600</u>
FUND BALANCES AT JUNE 30	<u><u>\$ 6,933</u></u>	<u><u>\$ 1,561</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 8,494</u></u>

COUNTY OF ORANGE, VIRGINIA

BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT
ECONOMIC DEVELOPMENT AUTHORITY
June 30, 2013

ASSETS

Cash and cash equivalents	\$ 1,381,343
Total assets	<u>\$ 1,381,343</u>

LIABILITIES AND FUND BALANCE

Liabilities:	
Accounts payable	<u>980</u>
Total liabilities	<u>980</u>

Fund balance:

Assigned	<u>1,380,363</u>
Total fund balance	<u>1,380,363</u>
Total liabilities and fund balance	<u>\$ 1,381,343</u>

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:

Total fund balance	\$ 1,380,363
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>129,172</u>
Net position of governmental activities	<u>\$ 1,509,535</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, 2013

REVENUES

Revenue from the use of money and property	\$ 4,429
Intergovernmental revenues:	
County contributor	<u>76,410</u>
Total revenues	<u>80,839</u>

EXPENDITURES

Current:	
Community development	<u>17,330</u>
Total expenditures	<u>17,330</u>

Net change in fund balance	<u>63,509</u>
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FUND BALANCE AT JULY 1	<u>1,316,854</u>
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FUND BALANCE AT JUNE 30	<u><u>\$ 1,380,363</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

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Governmental activities										
Net investment in capital assets	\$ 1,237,313	\$ 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
Restricted	155,000	-	-	-	-	-	-	-	-	-
Unrestricted	19,545,539	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
Total governmental activities net assets	20,937,852	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
Business-type activities										
Net investment in capital assets	15,240,183	12,913,544	11,649,754	9,873,370	9,337,495	8,274,862	-	-	-	-
Unrestricted	616,845	2,018,586	2,666,307	2,342,618	1,355,176	828,666	-	-	-	-
Total business-type activities net assets	15,857,028	14,932,130	14,316,061	12,215,988	10,692,671	9,103,528	-	-	-	-
Primary government										
Net investment in capital assets	16,477,496	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
Restricted	155,000	-	-	-	-	-	-	-	-	-
Unrestricted	20,162,384	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
Total primary government net assets	\$ 36,794,880	\$ 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

TABLE 2

COUNTY OF ORANGE, VIRGINIA

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

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Expenses										
Governmental activities										
General government	\$ 3,251,588	\$ 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
Judicial administration	1,555,502	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
Public safety	10,415,818	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
Public works	920,361	790,439	642,287	679,892	800,019	616,698	1,218,688	1,539,839	1,880,492	1,063,492
Health and welfare	5,677,690	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
Education	24,769,534	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
Parks, recreation, and cultural	1,217,282	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
Community development	1,025,612	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
Interest	3,928,975	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
Total governmental activities	52,762,362	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
Business-type activities										
Airport	916,700	898,525	840,425	733,545	548,514	568,900	-	-	-	-
Landfill	2,276,549	2,111,304	3,347,359	2,246,931	2,616,278	3,161,506	-	-	-	-
Total business-type activities expense	3,193,249	3,009,829	4,187,784	2,980,476	3,164,792	3,730,406	-	-	-	-
Total primary government expenses	55,955,611	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
Program revenues										
Governmental activities										
Charges for services										
General government	1,055,846	1,100,931	1,771,477	-	-	-	-	-	-	-
Judicial administration	291,311	219,673	340,045	68,202	31,787	87,693	155,591	168,416	215,273	80,264
Public safety	1,326,899	1,606,510	1,317,980	1,512,408	1,267,967	960,636	911,715	985,938	893,633	664,997
Public works	-	-	-	-	166,136	292,287	543,931	502,646	358,607	403,609
Education	170,955	185,123	271,022	-	-	-	-	-	-	-
Parks, recreation, and cultural	156,424	154,866	134,921	432,304	522,889	1,012,648	1,084,077	967,809	816,855	737,063
Community development	-	-	-	505	-	-	-	2,960	3,189	816
Operating grants and contributions	5,198,455	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
Capital grants and contributions	-	-	47,546	625,490	661,450	878,745	1,114,046	1,709,449	1,418,746	331,373
Total governmental activities program revenues	8,199,890	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
Business-type activities										
Charges for services										
Airport	422,685	470,543	417,480	307,756	223,071	285,453	-	-	-	-
Landfill	286,168	333,339	309,195	255,400	317,267	531,189	-	-	-	-
Operating grants and contributions	24,513	9,296	11,568	538,546	965,798	1,766,434	-	-	-	-
Capital grants and contributions	475,995	605,634	1,144,325	-	-	-	-	-	-	-
Total business-type activities program revenues	1,209,361	1,418,812	1,882,568	1,101,702	1,506,136	2,583,076	-	-	-	-
Total primary government program revenues	9,409,251	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

(Continued)

TABLE 2

COUNTY OF ORANGE, VIRGINIA

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

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Net (expense) revenue										
Governmental activities	\$ (44,562,472)	\$ (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)
Business-type activities	(1,983,888)	(1,591,017)	(2,305,216)	(1,878,774)	(1,658,656)	(1,147,330)	(1,192,828)	-	-	-
Total primary government net expense	(46,546,360)	(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)
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes										
Property taxes	35,876,658	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
Local sales and use	1,980,974	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
Consumers' utility taxes	2,035,551	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
Consumption taxes	96,389	89,117	101,613	90,711	91,249	88,810	87,131	122,586	78,857	101,583
Cable franchise taxes	-	-	-	-	-	-	71,315	61,553	57,292	51,518
E-911 taxes	-	-	-	-	-	-	188,853	355,080	394,164	362,019
Cellular phone taxes	-	-	-	-	-	-	193,332	313,258	323,304	261,143
Motor vehicle license taxes	914,527	662,916	652,932	677,609	662,465	626,497	35,106	648,453	617,435	583,312
Taxes on recordation and wills	460,522	379,057	381,132	455,274	471,439	699,013	794,539	1,180,858	818,847	439,586
Restaurant food taxes	646,602	631,748	577,864	510,629	514,019	540,904	541,263	429,096	409,958	340,754
Other local taxes	207,100	143,343	152,660	115,720	83,338	93,386	84,397	92,602	102,631	83,040
Permits, privilege fees, and regulatory licenses	-	-	-	-	-	-	-	-	-	-
Unrestricted revenues from use of money and property	192,056	234,352	354,819	1,974,347	1,006,373	2,091,066	1,414,945	1,285,767	630,817	484,998
Miscellaneous	304,803	294,343	491,702	580,009	690,938	676,056	195,531	1,508,103	297,771	221,720
Grants and contributions not restricted to specific programs	3,038,845	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
Transfers	(2,852,270)	(2,145,373)	(3,890,516)	(3,295,789)	(3,201,956)	(2,485,976)	(3,087,955)	-	-	-
Total governmental activities	42,901,757	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
Business-type activities:										
Unrestricted revenues from use of money and property	-	-	-	-	40,775	33,880	35,247	-	-	-
Miscellaneous	56,516	61,713	48,104	106,302	5,068	-	-	-	-	-
Transfers	2,852,270	2,145,373	3,890,516	3,295,789	3,201,956	2,485,976	3,087,955	-	-	-
Total business-type activities	2,908,786	2,207,086	3,938,620	3,402,091	3,247,799	2,519,856	3,123,202	-	-	-
Total primary government	45,810,543	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
Changes in Net Assets										
Governmental activities	(1,660,715)	(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
Business-type activities	924,898	616,069	1,633,404	1,523,317	1,589,143	1,372,526	1,930,374	-	-	-
Total primary government	\$ (735,817)	\$ (5,791,018)	\$ 2,756,197	\$ 923,655	\$ (636,515)	\$ 2,540,386	\$ 862,635	\$ 4,872,388	\$ 8,552,060	\$ 9,694,565

COUNTY OF ORANGE, VIRGINIA

TABLE 3

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>				
General Fund							
Committed	\$ 71,125	\$ 144,000	\$ -				
Assigned	82,564	1,743,994	2,488,194				
Unassigned	18,297,201	17,583,447	17,101,685				
Total general fund	<u>\$ 18,450,890</u>	<u>\$ 19,471,441</u>	<u>\$ 19,589,879</u>				
All Other Governmental Funds							
Restricted	\$ 714,249	\$ -	\$ 2,387,117				
Committed	252,351	289,624	211,209				
Assigned	1,963,019	1,747,670	2,383,275				
Unassigned	-	-	(107,010)				
Total all other governmental funds	<u>\$ 2,929,619</u>	<u>\$ 2,037,294</u>	<u>\$ 4,874,591</u>				
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</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
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>
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
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
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>

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

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
REVENUES										
General property taxes	\$ 35,560,361	\$ 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
Other local taxes	6,341,665	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
Permits, privilege fees, and regulatory licenses	354,996	304,007	225,857	171,857	178,415	306,181	550,158	623,031	675,005	465,707
Fines and forfeitures	17,964	337	50,182	38,798	260	407	1,956	1,422	1,102	1,049
Revenue from use of money and property	192,056	234,352	354,819	1,974,347	1,006,373	2,089,726	1,414,945	1,285,767	630,817	484,998
Charges for services	1,703,656	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
Miscellaneous	304,803	294,343	491,702	580,009	720,399	676,056	195,531	1,508,103	297,771	221,720
Recovered costs	1,595,849	1,620,931	2,266,476	214,018	163,170	171,527	60,490	286,981	219,577	299,298
Intergovernmental:										
Local government	-	-	-	-	-	-	-	36,269	-	-
Commonwealth	7,100,892	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
Federal	981,408	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
Total revenues	54,153,650	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
EXPENDITURES										
General government	2,937,819	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
Judicial administration	1,479,337	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
Public safety	9,787,671	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
Public works	854,968	739,907	749,891	695,733	932,482	697,084	613,288	2,061,668	1,714,695	1,438,725
Health and welfare	5,278,422	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
Education	19,617,055	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
Parks, recreation, and cultural	1,141,213	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
Community development	952,071	960,472	947,721	1,453,749	1,541,267	1,681,742	2,146,077	1,362,168	1,077,812	963,910
Nondepartmental	58,853	56,646	79,648	64,989	70,641	1,929	1,386	75,188	22,496	20,485
Capital projects	953,451	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
Debt service:										
Principal	5,398,954	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
Interest and fiscal charges	4,233,801	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
Bond issuance costs	-	-	-	-	161,844	636,298	-	-	-	-
Total expenditures	52,693,615	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
Excess of revenues over (under) expenditures	1,460,035	(810,359)	(2,802,847)	(21,769,200)	(15,407,293)	(9,149,426)	105,136	(66,139)	(501,551)	(11,679,822)
OTHER FINANCING SOURCES (USES)										
Transfers in	11,440,832	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
Transfers out	(14,293,103)	(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)
Bonds issued	-	-	-	-	30,550,000	5,220,000	-	15,214,434	-	-
Premium on bonds issued	-	-	-	-	2,847,298	280,267	-	773,145	-	-
Proceeds on capital leases	747,000	-	-	-	-	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)	-	-	-	-
Capital contributions	155,000	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(1,950,271)	(2,145,373)	(3,890,516)	(3,295,789)	30,195,342	24,810,283	(3,087,955)	987,579	-	-
Net change in fund balances	\$ (490,236)	\$ (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)
Debt service as a percentage of noncapital expenditures	18.62%	19.61%	21.16%	17.01%	13.97%	13.81%	13.55%	14.65%	13.81%	18.45%

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
2013	\$ 2,831,446,900	\$ 278,849,200	\$ 937,481,400	\$ (395,149,600)	\$ 158,528,254	\$ 0.720	\$ 253,822,185	\$ 3.750	\$ 4,772,504	\$ 0.720	\$ 30,302,947	\$ 1.831	\$ 38,623,768	\$ 0.400
2012	2,813,280,900	268,501,700	934,808,400	(399,110,800)	150,901,640	0.720	247,033,473	3.750	4,753,499	0.720	32,438,245	1.831	36,833,317	0.400
2011	4,049,804,500	274,307,300	1,299,776,700	(627,490,300)	146,290,996	0.490	238,198,946	3.270	5,857,655	0.490	46,108,840	1.831	34,275,835	0.400
2010	4,032,854,000	276,234,300	1,303,981,800	(618,427,800)	149,505,359	0.490	233,050,277	3.270	5,888,190	0.490	49,158,875	1.831	34,848,749	0.400
2009	4,012,310,300	276,643,400	1,312,888,700	(605,297,900)	140,776,365	0.470	227,694,111	3.270	6,142,616	0.470	51,910,995	1.831	38,197,251	0.400
2008	3,966,139,800	274,589,900	1,327,183,700	(613,881,300)	134,996,368	0.470	351,899,437	2.200	6,073,710	0.470	62,542,275	1.831	38,635,793	0.400
2007	3,832,636,100	273,206,951	1,341,185,300	(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

(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

* Direct rates are derived by calculating a weighted average that multiplies each rate by the proportion of the revenue base to which it applies. (See Table 8)

TABLE 5

COUNTY OF ORANGE, VIRGINIA

ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY (CONTINUED)
LAST TEN FISCAL YEARS
UNAUDITED

Personal Property (Continued)														
Tax Year	Business and Heavy Equipment (4)	Nominal Tax Rate per \$100	RVs and Campers (5)	Nominal Tax Rate per \$100	Airplanes	Nominal Tax Rate per \$100	Boats	Nominal Tax Rate per \$100	Logging Equipment	Nominal Tax Rate per \$100	Public Service Companies (2)	Nominal Tax Rate per \$100	Total Taxable Assessed Value	Direct* Tax Rate per \$100
2013	\$ 32,088,040	\$ 2.200	\$ 4,577,454	\$ 2.620	\$ 4,572,520	\$ 0.700	\$ 9,574,406	\$ 2.090	\$ -	\$ -	\$ 207,743	3.750	\$ 4,189,697,721	0.925
2012	33,761,234	2.200	4,837,245	2.620	3,702,065	0.700	9,833,186	2.090	-	-	233,596	3.750	4,141,807,700	0.921
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

(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

* Direct rates are derived by calculating a weighted average that multiplies each rate by the proportion of the revenue base to which it applies. (See Table 8)

TABLE 6

COUNTY OF ORANGE, VIRGINIA

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

Direct Rates*										
Tax Year	Real Estate (2)	Personal Property (2,3)	Mobile Homes	Machinery and Tools (2)	Merchants' Capital	Business Equipment	RVs and Campers	Airplanes	Boats	Total Direct Rate
2013	0.655	0.227	0.001	0.013	0.004	0.017	0.003	0.001	0.005	0.925
2012	0.655	0.224	0.001	0.014	0.004	0.018	0.003	-	0.005	0.924
2011	0.457	0.141	0.001	0.015	0.002	0.012	0.001	-	0.004	0.634
2010	0.457	0.138	0.001	0.016	0.003	0.013	0.001	-	0.003	0.632
2009	0.457	0.135	0.001	0.017	0.003	0.013	-	-	0.004	0.630
2008	0.430	0.207	0.001	0.021	0.003	-	-	-	0.001	0.662
2007	0.431	0.131	0.001	0.023	0.003	-	-	-	0.003	0.592
2006	0.354	0.249	0.001	0.040	0.006	-	-	0.001	0.006	0.656
2005	0.736	0.240	0.003	0.044	0.006	-	-	0.001	0.005	1.034
2004	0.717	0.224	0.003	0.043	0.006	-	-	-	0.005	0.997
Overlapping Rates										
Town of Orange			Town of Gordonsville							
Tax Year	Real Estate (2)	Personal Property (2)	Machinery and Tools	Real Estate	Personal Property	Machinery and Tools				
2013	0.155	0.830	0.066	0.100	0.990	0.240				
2012	0.145	0.830	0.066	0.095	0.990	0.240				
2011	0.114	0.830	0.066	0.095	0.990	0.240				
2010	0.114	0.830	0.066	0.095	0.990	0.240				
2009	0.114	0.600	0.066	0.095	0.990	0.240				
2008	0.114	0.600	0.066	0.095	0.800	0.170				
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				

(1) Per \$100 of assessed value

(2) Includes Public Service Companies

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

TABLE 7

COUNTY OF ORANGE, VIRGINIA

PRINCIPAL PROPERTY TAXPAYERS

CURRENT YEAR AND NINE YEARS AGO

UNAUDITED

Taxpayer	Type of Business	2013		Percentage of Total Taxable Assessed Value	2004		Percentage of Total Taxable Assessed Value
		Assessed Value (1)	Rank		Assessed Value (1)	Rank	
VanHoven Enterprises, LLC	Horticulture	\$ 42,032,800		1.10%	\$ -		0.00%
Aerojet General Corp	Manufacturing	18,576,800		0.49%	11,140,000		0.55%
Holtzbrinck Publishers	Book Distributor	18,339,500		0.48%	22,837,100		1.13%
Orange Village	Shopping Center	9,344,100		0.25%	4,929,800		0.24%
Barboursville Corporation	Winery	7,075,500		0.19%	2,858,500		0.14%
American Color Inc.	Horticulture	6,704,100		0.18%	-		0.00%
American Woodmark	Manufacturing	6,658,400		0.17%	3,699,300		0.18%
PMC Distribution	Manufacturing	5,598,700		0.15%	2,111,900		0.10%
Schooler Prop of Wilderness	Shopping Center	4,906,200		0.13%	2,942,000		0.15%
One America Place	Manufacturing	4,529,400		0.12%	3,292,700		0.16%
General Shale	Manufacturing	-		0.00%	3,907,400		0.19%
Oakbrook Terrace LP	Manufacturing	-		0.00%	4,134,600		0.20%
Total Principal Property Tax Payers' Assessed Values		123,765,500		3.26%	61,853,300		3.05%
All Other Tax Payers' Assessed Values		<u>3,687,390,654</u>		<u>96.74%</u>	<u>1,965,677,977</u>		<u>96.95%</u>
Total Annual Assessed Values		<u>\$ 3,811,156,154</u>		<u>100.00%</u>	<u>\$ 2,027,531,277</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
2013	\$ 38,114,349	\$ 37,414,751	98.16%	\$ -	\$ 37,414,751	98.16%
2012	32,995,952	32,237,484	97.70%	13,751	32,251,235	97.74%
2011	31,815,752	31,299,234	98.38%	290,106	31,589,340	99.29%
2010	31,189,040	30,128,613	96.60%	1,209,808	31,338,421	100.48%
2009	31,114,223	29,624,406	95.21%	1,403,261	31,027,667	99.72%
2008	28,931,323	28,369,702	98.06%	482,794	28,852,496	99.73%
2007	25,148,884	24,720,477	98.30%	424,016	25,144,493	99.98%
2006	23,323,620	22,722,591	97.42%	599,472	23,322,063	99.99%
2005	21,643,012	21,022,481	97.13%	619,456	21,641,937	100.00%
2004	31,352,454	30,334,042	96.75%	1,018,139	31,352,181	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			
2013	\$ 59,095,722	\$ -	\$ 27,133,866	\$ 1,565,987	\$ 87,795,575	N/A	2,539
2012	61,063,084	-	28,775,000	1,050,901	90,888,985	N/A	2,654
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

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

COUNTY OF ORANGE, VIRGINIA

TABLE 10

**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)
2013	\$ 59,095,722	\$ -	\$ 59,095,722	1.29%	\$ 1,708
2012	61,063,084	-	61,063,084	1.34%	1,783
2011	65,397,332	-	65,397,332	1.06%	1,927
2010	102,404,572	489,312	101,915,260	1.67%	3,037
2009	106,190,630	1,209,197	104,981,433	1.72%	3,150
2008	75,917,740	1,371,161	74,546,579	1.21%	2,263
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

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

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

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

TABLE 11

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)
2013	34,580	N/A	N/A	N/A	4,960	6.00%
2012	34,246	N/A	N/A	42.6	5,044	6.70%
2011	33,938	1,183,902,000	34,884	41.9-44	5,027	6.80%
2010	33,559	1,148,376,000	34,220	40-44.8	5,058	7.70%
2009	33,329	1,096,430,000	32,897	40-44.8	5,110	3.20%
2008	32,942	951,101,424	28,872	40-44.8	5,044	2.90%
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%

(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	2013			2004		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
MPS	285		1.97%	293		2.12%
Orange County Nursing Home/ Dogwood Village	282		1.94%	-		0.00%
Germanna Community College	200		1.38%	220		1.59%
Battlefield Farms	185		1.28%	111		0.80%
American Woodmark Corporation	180		1.24%	289		2.09%
Aerojet General Corporation	165		1.14%	-		0.00%
Ridgid Tool Manufacturing	121		0.83%	189		1.36%
Food Lion	116		0.80%	132		0.95%
PBM Products, LLC a Perrigo Co	110		0.76%	93		0.67%
McDonalds	106		0.73%	-		0.00%
Zamma Corporation	105		0.72%	84		0.61%
Klockner-Intertrans Carrier	80		0.55%	78		0.56%
American Press	-		0.00%	190		1.37%
AB& C Group	-		0.00%	129		0.93%
Hafner	-		0.00%	79		0.57%
	<u>1,935</u>		<u>13.34%</u>	<u>1,887</u>		<u>13.62%</u>
Total County Employment	14,502			13,853		

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	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Public safety										
Sheriffs department: (1)										
Physical arrests	1,017	994	804	840	847	996	1,059	331	976	945
Traffic violations	2,602	2,017	2,429	3,320	3,260	2,294	1,328	320	1,894	1,889
Civil papers	9,913	10,379	10,679	11,051	11,920	11,648	11,361	3,893	11,068	11,977
Fire and rescue:										
Number of calls answered	5,962	6,834	5,463	5,696	4,686	5,385	5,281	4,174	5,248	5,131
Building inspections:										
Permits issued	826	693	633	679	675	985	1,207	980	1,514	1,240
Animal control:										
Number of calls answered (1)	776	1,385	1,319	1,213	658	767	947	8,370	25,162	21,508
Public works										
General maintenance:										
Trucks/vehicles	3	3	3	3	3	16	15	15	13	12
Landfill:										
Refuse collected (total tons per year)	23,696	25,985	33,269	35,946	44,914	47,762	76,656	71,866	56,600	44,211
Recycling (total tons per year)	7,000	1,733	1,561	2,076	2,343	4,035	N/A	881	876	N/A
Health and welfare										
Department of Social Services (reported by calendar year):										
Eligibility Caseload	N/A	N/A	4,406	5,542	3,466	4,035	N/A	3,084	2,700	3,003
Adult Protective Service Caseload	N/A	N/A	365	330	351	275	N/A	N/A	N/A	N/A
Child Abuse Service Caseload	N/A	N/A	273	262	237	267	N/A	N/A	N/A	N/A
Culture and recreation										
Parks and recreation:										
After-school program participants	116	99	196	177	-	461	379	360	315	274
Youth sports participants	541	931	456	439	364	1,864	1,139	866	1,262	915
Community development										
Planning:										
Zoning permits issued	313	283	252	355	337	497	764	695	1,276	1,079
Component Unit – School Board										
Education:										
Average Daily Membership (ADM)	4,960	5,023	5,027	5,058	5,110	5,044	4,869	4,614	4,295	4,077
Number of teachers	346	339	346	391	388	386	390	N/A	347	316
Local expenditures per pupil	3,908	3,198	3,216	n/a	3,458	3,418	3,280	N/A	3,006	3,388

TABLE 13

COUNTY OF ORANGE, VIRGINIA

OPERATING INDICATORS BY FUNCTION (Continued)
LAST TEN FISCAL YEARS
UNAUDITED

Employee Population											
General administration	103	101	31	38	35	38	N/A	N/A	N/A	N/A	
Judicial administration	15	11	16	23	23	23	N/A	N/A	N/A	N/A	
Public safety	107	100	93	126	114	109	N/A	N/A	N/A	N/A	
Public works	9	9	8	8	6	8	N/A	N/A	N/A	N/A	
Health and welfare	-	-	-	3	2	3	N/A	N/A	N/A	N/A	
Education	-	-	-	-	-	-	N/A	N/A	N/A	N/A	
Parks, recreation, and cultural	12	20	35	62	58	90	N/A	N/A	N/A	N/A	
Community development	4	7	9	10	10	13	N/A	N/A	N/A	N/A	
Non-departmental	-	45	-	-	-	-	N/A	N/A	N/A	N/A	
Airport	4	3	4	4	4	5	N/A	N/A	N/A	N/A	
Landfill	39	31	33	36	34	36	N/A	N/A	N/A	N/A	
Capital Assets (net of accumulated depreciation)											
General administration	15,439,858	15,068,367									
Judicial administration	-	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Public safety	1,750,344	1,622,991	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Public works	424,182	387,448	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Health and welfare	-	30,018	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Education	94,077,159	95,082,005	N/A	N/A	N/A	N/A					
Parks, recreation and cultural	15,594	94,105	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Community development	63,510	129,172	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Airport	11,327,593	11,646,100	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Landfill	3,912,590	1,267,444	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Total	\$ 127,010,830	125,327,650	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	

Source: Individual county departments

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

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COMPLIANCE SECTION

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

Honorable Members of Board of Supervisors
County of Orange, Virginia

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns* and the *Specifications for Audits of Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Orange, Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 26, 2013.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. **We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and question costs as items 11-01, 11-02, and 13-01 that we consider 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 five instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 13-02, 13-03, 13-04, 13-05 and 13-06.**

County of Orange, Virginia's Response to Findings

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
November 26, 2013



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133**

Honorable Members of Board of Supervisors
County of Orange, Virginia

Report on Compliance for Each Major Federal Program

We have audited the County of Orange, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2013. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, the County of Orange, Virginia, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133.

Report on Internal Control over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
November 26, 2013

COUNTY OF ORANGE, VIRGINIA
SUMMARY OF COMPLIANCE MATTERS
June 30, 2013

As more fully described in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, 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, 2013**

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	1,276,703	\$ 1,276,703
Pass Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556		\$ 14,006
Temporary Assistance to Needy Families (TANF)	93.558		170,493
Refugee and Entrant Assistance - Discretionary Grants	93.566		845
Low Income Home Energy Assistance	93.568		15,629
Child Care Mandatory and Matching funds of the Child Care and Development Fund	93.596		23,209
Child Welfare Services - State Grants	93.645		917
Foster Care - Title IV-E	93.658		100,013
Adoption Assistance	93.659		188,748
Social Services Block Grant	93.667		124,834
Chafee Foster Care Independence Program	93.674		1,347
Children's Health Insurance Program	93.767		6,101
Medical Assistance Program	93.778		141,732
Total Department of Health & Human Services-pass through			\$ 787,874
Total Department of Health and Human Services			\$ 2,064,577
Department of Agriculture:			
Pass Through Payments:			
Food Distribution - Schools	10.555	106,586	
Department of Education:			
National school breakfast program	10.553	253,429	
National school lunch program	10.555	710,649	
Special Milk Program for Children	10.556	17,121	
Total Child Nutrition Cluster			1,087,785
Department of Social Services:			
State Administration:			
SNAP Cluster:			
Matching Grants for Supplemental Nutrition Assistance Program	10.561		\$ 236,360
Total Department of Agriculture			\$ 1,324,145
Department of the Interior:			
Direct payments:			
Bureau of Land Management:			
Payments in Lieu of Taxes	15.226		\$ 4,059

(Continued)

COUNTY OF ORANGE, VIRGINIA

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013**

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		388,681
Pass Through Payments:			
Department of Motor Vehicles:			
State and community highway safety program	20.600		<u>8,077</u>
Total Department of Transportation			<u>\$ 396,758</u>
Pass Through Payments:			
Department of Education:			
Adult Education - Basic Grants to States	84.002		\$ 149,793
Title I grants to local educational agencies (Title 1 Part A Cluster)	84.010		742,915
School Improvements Grants	84.377		191,204
Special Education-Grants to States (Special Education Cluster)	84.027	893,915	
Special Education - preschool grants (Special Education Cluster)	84.173	<u>27,360</u>	
Total Special Education Cluster:			921,275
Career and Technical Education: Basic grants to states	84.048		76,131
English language acquisition grants	84.365		7,176
ARRA - Education Job Funds Grant	84.410		4,093
Improving Teacher Quality State Grants	84.367		<u>177,830</u>
Total Department of Education			<u>\$ 2,270,417</u>
Department of Defense:			
Direct Payments:			
ROTC language and culture training grants	12.357		<u>\$ 62,542</u>
Total Expenditures of Federal Awards			<u><u>\$ 6,122,498</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, 2013

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an **unmodified opinion** on the financial statements.
2. **Three material weaknesses** relating to the audit of the financial statements is reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
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 **unmodified opinion**.
6. The audit disclosed **no audit findings** relating to major programs.
7. The programs tested as major programs include:

<u>Name of Program:</u>	<u>CFDA #</u>
Headstart	93.600
School Breakfast Program	10.553
National School Lunch Program	10.555
Special Milk Program for Children	10.556
Airport Improvement Program	20.106
Special Education – Grants to States	84.027
Special Education – Preschool Grants	84.173

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, 2013

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.

13-01 Ambulance Receivables (Material Weakness)

Condition:

Ambulance billing, collections and receivables do not appear to have any significant oversight by the County in relation to the County's third-party provider. Without review during the year, there is a risk of misappropriation and material financial statement misstatements.

Recommendation:

Management should implement oversight procedures which includes reviewing reports provided by the third party vendor for reasonableness and accuracy.

Management's Response:

The auditee concurs with the recommendation.

COUNTY OF ORANGE, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2013

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

None.

C. FINDINGS – COMMONWEALTH OF VIRGINIA

13-02: 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.

13-03: Virginia Security for Public Deposits Act

Condition:

Funds held in the Wells Fargo Café Prepay and Virginia National bank accounts 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.

COUNTY OF ORANGE, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2013

C. FINDINGS – COMMONWEALTH OF VIRGINIA (Continued)

13-04: Continuity of Operations Plan

Condition:

Currently, the Department of Social Services' plan does not use or reference the Virginia Department of Emergency Management's (VDEM) Local Government basic COOP plan template. The Department's plan has not been updated within the previous 12 months and does not prioritize recovery tasks or assign procedures to implement actions to continue essential functions.

Recommendation:

The Department's plan should be updated to meet VDEM requirements.

Management's Response:

The auditee concurs with the recommendation.

13-05: Local Security Officer

Condition:

The Department of Social Services does not currently employ both a primary and at least one alternate Local Security Officer, each of whom is required to have working knowledge of the Local Security manual and the Security Access Management System.

Recommendation:

A primary Local Security Officer should be appointed and trained to have the appropriate working knowledge.

Management's Response:

The audience concurs with the recommendation.

COUNTY OF ORANGE, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2013

C. FINDINGS – COMMONWEALTH OF VIRGINIA (Continued)

13-06: Annual Review of Access

Condition:

There is no evidence that the Department of Social Services' Local Security Office and supervisors are conducting annual reviews of employee access to OASIS, VaCMS, ADAPT, and EAS to ensure that the access is properly aligned with the employee's job responsibilities.

Recommendations:

The Local Security Officer and supervisors should perform and document annual reviews, ensuring that each employee's access request form matches the employee's actual access in the system and is appropriate given the employee's assigned job responsibilities.

Management's Response:

The auditee concurs with the recommendations.

COUNTY OF ORANGE, VIRGINIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2013

A. 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.

Current Status:

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