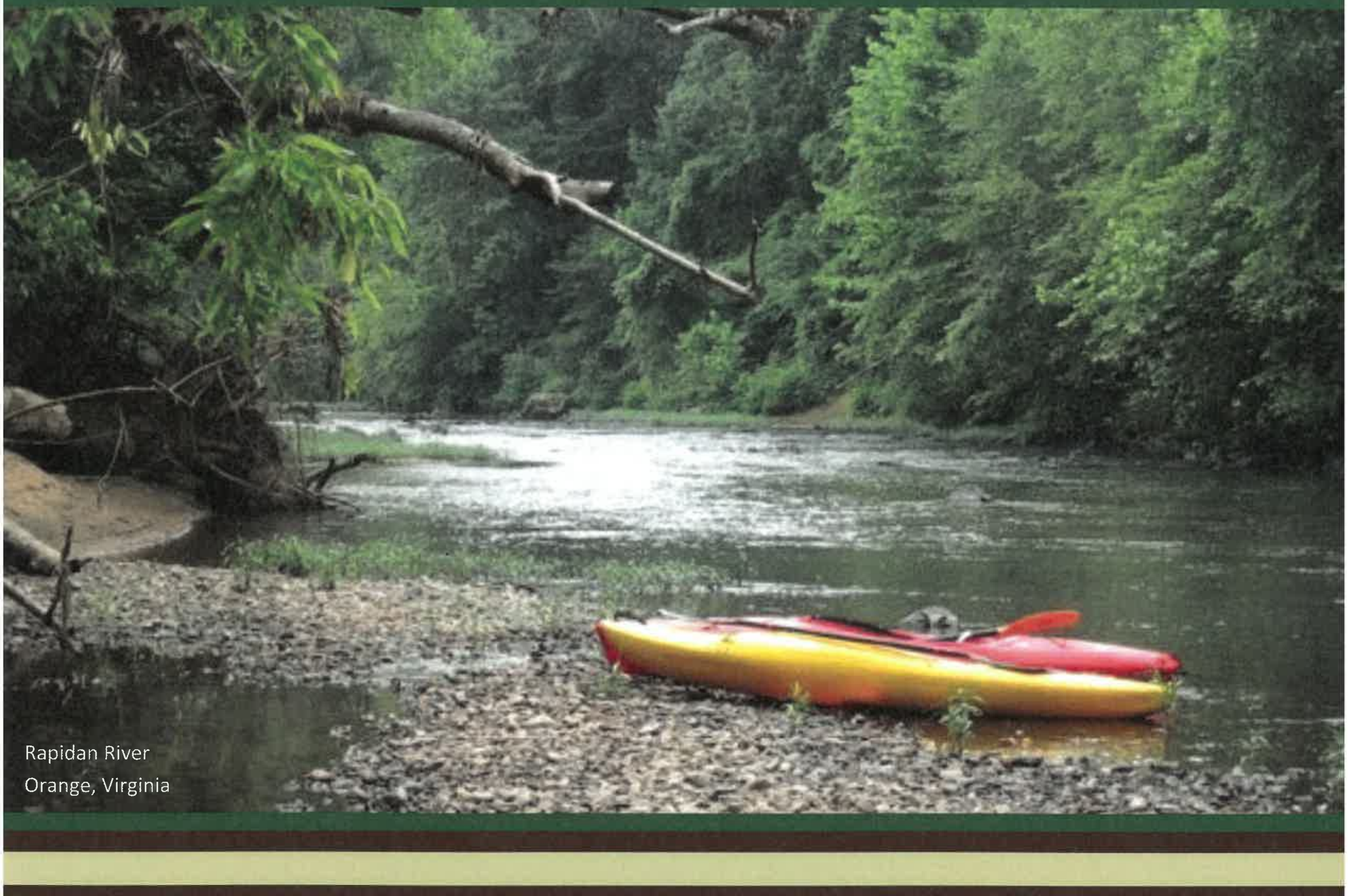
Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2018



Rapidan River
Orange, Virginia

Orange County, Virginia

COUNTY OF ORANGE, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2018

PREPARED BY

FINANCE DEPARTMENT
ORANGE, VIRGINIA

COUNTY OF ORANGE, VIRGINIA

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ORANGE COUNTY, VIRGINIA
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November 30, 2018

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

It is my pleasure to submit to you the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2018. This report has been prepared in accordance with Section 15.2-2503 of the Code of Virginia, 1950, as amended. The report is designed to present fairly the respective financial position of the government activities, business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County in all material respects, and to demonstrate compliance with applicable finance-related legal and contractual provisions.

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

PBMares, LLP, a firm of licensed certified public accountants, has audited and issued an unmodified "clean" opinion on the financial statements of Orange County for the fiscal year ended June 30, 2018. 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 36,073. 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.


Orange County Courthouse

The County includes two incorporated towns, the Towns of Gordonsville (population 1,591) and Orange (population 4,978), 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.

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

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

Orange County is financially accountable for a legally separate school district, which is reported separately within the financial statements as a component unit. Orange County Public Schools is the single largest service provided by the County. The School Board is composed of five elected members from each of the election districts. The School Board appoints a Superintendent to administer the policies of the School Board. The school system is comprised of one high school, two middle schools, five elementary schools and one primary school. The average daily membership for establishing the amounts of state school aid for school year 2017-2018 was 4,746. This represents a decrease of thirty-five students from the prior year. The mission statement adopted by the Orange County Public Schools is: "*Improving the future by empowering our students to value learning, achieve their full potential, and pursue their dreams."*

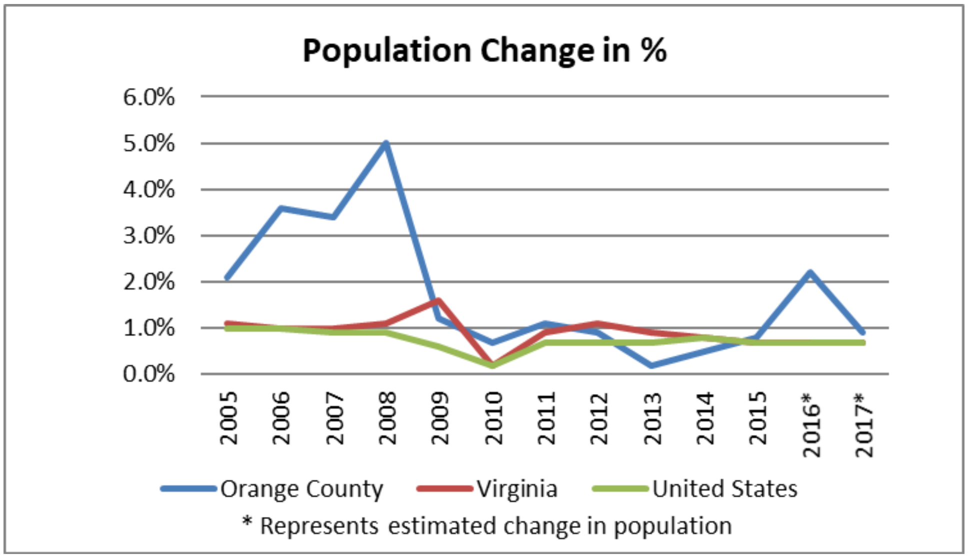
The Economic Development Authority (EDA) is a component unit of the County and has the power to issue tax-exempt industrial development revenue bonds to qualifying enterprises wishing to utilize that form of financing. Those bonds represent limited obligations of the EDA to be repaid solely from the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

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

Virginia law requires the County to maintain a balanced budget in each fiscal year. The annual budget serves as the foundation of the County's financial planning and control. County departments and agencies begin their budget preparation each fall. In February, the County Administrator submits a proposed operating and capital budget. The operating and capital budget includes proposed expenditures and the means of financing such expenditures. Work sessions are scheduled to further refine the proposal and align it with the County's Comprehensive Plan, Strategic Plan, Capital Improvement Plan and other goals and objectives. A public hearing is conducted to obtain citizen comments on the proposed budget and tax rates. After consideration of public comment, the Board approves and appropriates the budget and sets property tax rates. The legal level of budgetary control (the level at which management cannot adjust the budget without the approval of the governing body) is the functional level. Functional categories include General Administration, Judicial Administration, Public Safety, Public Works, Health & Welfare, Education, Parks, Recreation & Culture, and Community Development.

Economic Conditions and Outlook

The local economy continued to improve in fiscal year 2018. A major driver of the County's economy during the 2000's was population growth with many new residents moving in to enjoy the County's rural and picturesque location and proximity to the markets of Richmond, Charlottesville, Culpeper, Fredericksburg, and the Washington D.C./Northern Virginia metropolitan area. As indicated in the following chart, Orange County's population growth between 2001 and 2009 was well above the state and national rates and growth in the commercial and service sectors of the economy accompanied the new residents. As the general economy slowed, so did the in-migration and the most recent estimates now indicate Orange County's population growth is only slightly above the state and national rates.



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

James Madison's Montpelier

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

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

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

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

In January 2018, then Governor Terry McAuliffe announced a new 860-kilowatt rooftop solar array at specialty apparel firm Green Applications, located in Gordonsville, VA. For Green Applications, the solar array will offset almost 50 percent of the facility's electricity usage, a significant benefit to the company. The system was designed, engineered, and installed entirely by Virginians who work for Charlottesville-based Sun Tribe Solar.

Rooftop Solar Array at Green Applications

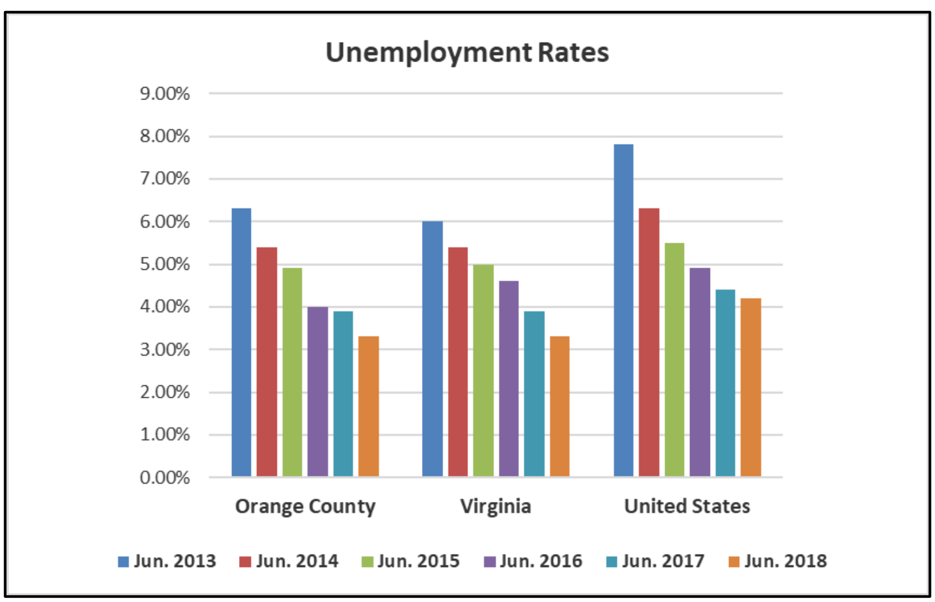
In April 2018, Governor Ralph Northam announced that the census tract which includes the Town of Orange was one of the 212 officially designated as a Virginia Qualified Opportunity Zone. The Federal Tax Cuts and Jobs Act of 2017 that passed in December 2017, included provisions for a new revitalization tool, the Opportunity Zone and Opportunity Fund. The zones and funds will allow investors to receive tax benefits on currently unrealized capital gains that are invested through Opportunity Funds in eligible census tracts designated as Qualified Opportunity Zones. Official rules regarding the program are being written at the federal level and are expected to be released in 2019.

Photo Credit: Orange County Review

In May 2018, Governor Northam announced that Homestead Building Systems, Incorporated will invest $2,450,000 to expand its production operation and create 60 new jobs in Orange County. This expansion will allow Homestead Building Systems to better serve the demands of the homebuilding market with its custom-engineered lumber products. As part of this project, Homestead Building Systems will increase their annual purchases of Virginia forestry products by more than thirty percent over the next three years. The Commonwealth partnered with Orange County and Homestead Building Systems, Inc. on this project through the Governor's Agriculture and Forestry Industries Development (AFID) Fund, which is administered by the Virginia Department of Agriculture and Consumer Services (VDACS). Governor Northam approved a $78,000 grant from the AFID Fund, which Orange County matched with local funds. This was the first AFID facility award Orange County has received.

In June 2018, Draper Aden Associates wrapped up site assessment activities including environmental assessments, wetland delineation, boundary survey, and infrastructure design and development on the 147-acre industrial site referred to as the "King Property Site." After review and consideration from their findings, Draper Aden has recommended this property be designated with a Site Characterization Tier Level 3 for economic development.

The County was awarded a development grant in the amount of $40,300, in the second phase of the Virginia Business Ready Sites Program (VBRSP). The VBRSP, administered by the Virginia Economic Development Partnership (VEDP), is a discretionary program established to help Virginia localities develop and market their existing industrial or commercial sites to prospective businesses, thus enhancing the Commonwealth's infrastructure and promoting its competitive business environment.



Unemployment rates in the County rose during the recession; but have now declined along with state and national rates. Information provided by the Virginia Employment Commission indicates a County unemployment rate at June 30, 2018, of 3.3%; identical to the state average of 3.3%, and below the national unemployment rate of 4.2%. According to the Bureau of Economic Analysis, in 2017 (the most recent year available), Orange County per capita personal income ($46,293) rose by 1.6% over the previous year compared to the state-wide increase of 3.3%. The national increase in per capita personal income was 3.6%.

The Orange Workforce Center was established to assist job seekers and employers within Orange County. The Center had 1,145 total visitors during FY18, averaging over 95 visitors per month. A total of 105 job-seekers were hired during FY18: 72 through the Center and 33 through the Workforce Innovation and Opportunity Act program. The Orange Workforce Center provided recruitment and hiring services to 67 businesses and held four Orange County Job Fairs.

During FY18, property taxes were billed as follows:

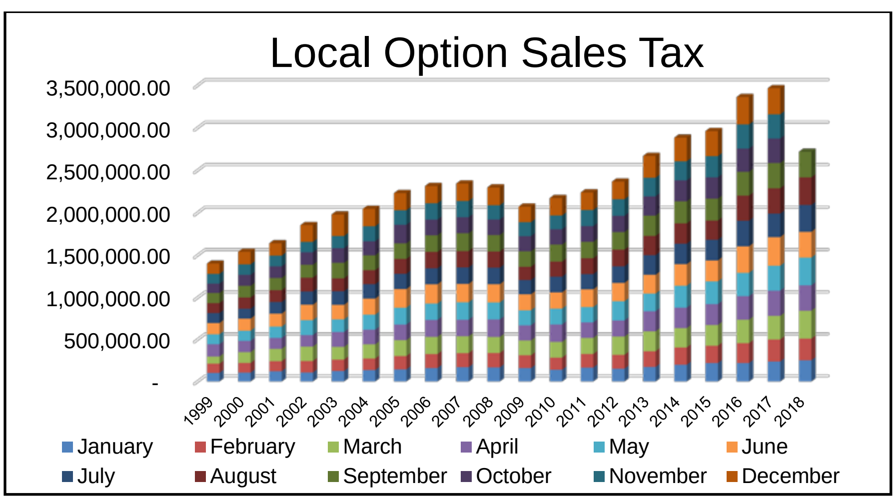
- 2nd Half Real Estate – 2017 Tax Year
- All Personal Property – 2017 Tax Year
- 1st Half Real Estate (except for Public Service Companies) – 2018 Tax Year

Real estate values for tax year 2018 increased by 1.6% over the 2017 values. Regular personal property values for tax year 2017, which includes automobiles, increased by 4.8%. Machinery and Tools assessed values increased by 1.3% as new investments were made in this category by local industries. Business and Heavy Equipment values increased by 10.1%. Merchants Capital assessed values increased by 13.4% for the 2017 tax year and assessed values for RVs and Campers increased by approximately 20.7% over the prior year. Total 2017 assessed values for Aircraft increased by 14.4% and the assessed values for Boats decreased by 2.4%. Total property assessments for all property types increased by .96% and 1.45% for tax years 2016 and 2017 respectively. For tax year 2018, total property assessments increased by 1.89%.

On February 27, 2018, the Board approved a change in the billing of property taxes for Public Service Companies (PSC). The billing schedule was changed from semi-annual for real estate and annual for personal property to an annual billing for both. The annual billing will enable the Commissioner of the Revenue to receive the certified values from the Virginia Department of Taxation prior to billing for the year. In the past, the first half PSC real estate taxes were estimated and once the values were received, the second half bills were adjusted to reflect any differences. The change in policy meant a one-time delay in receiving roughly half of the 2018 PSC real estate revenue in FY18.

In tax year 2016, values for aircraft decreased reflecting the fact that several other neighboring localities with airports had reduced their property tax rates on aircraft. The Orange County Airport was experiencing a competitive disadvantage to recruit and locate new aircraft at the airport due to the continued assessment of the property tax. As an economic development strategy, the personal property tax on aircraft was eliminated in Orange County as part of the fiscal year 2016-2017 approved budget. It is anticipated that T-hanger and tie-down rentals at the Orange County Airport will increase by the elimination of the tax and by extension, fuel sales and service work at the airport should increase as well. The 2017 assessed values for Aircraft increased by 14.4% over 2016 values reflecting the fact that three additional aircraft are now based within the County.

Orange county receives a 1% Local Option Sales Tax which is collected by the Virginia Department of Taxation and remitted to the County in which the sale occurred. Because this portion of sales tax is directly related to sales activity within the County, it provides a unique perspective on the County's local economy. The following chart is a historical representation of Local Option Sales Tax vendor collections through September 2018. The Local Option Sales Tax revenue is remitted to the County by the Virginia Department of Taxation two months after it is collected by the vendor.



According to a recent report by the Greater Piedmont Area Association of Realtors, despite a decreased number of sales (down by 17.5%), the average home sales price within the county increased by 2.6% during the twelve-month period ended September 2018, and the median length of time on the market has declined by seventeen (17) days or 23% during the same period. The supply of active units on the market increased in Orange County by 3.7%. Based on this information, the next general reassessment of real property within the County (anticipated to become effective in 2020) may result in a more substantial increase in taxable assessed values.

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

The table below identifies the target industries:

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

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

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

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

Major Initiatives

During fiscal year 2018, the County continued to progress on several projects including continuing to fund capital needs at the minimum investment required by the Board's adopted financial policy. FY18 expenditures included the continuation of replacement cycles for Sheriff's vehicles and ambulances, and continued funding for the Landfill's closure reserve. Investments were also made in Computer-Assisted Mass Appraisal (CAMA) and Geographic Information System software, as well as a transportation plan for the Germanna Wilderness Area Plan (GWAP). Funded projects for Orange County Public Schools included interior flooring and roof replacements, walkway enclosures and food service equipment upgrades. In addition, FY18 included funding for the remainder of the Orange County High School track and tennis courts project.

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

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

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

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

The adopted plan includes the following components:

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

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

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

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

The County of Orange and the Germanna-Wilderness Area Plan (GWAP) Steering Committee hosted a Town Hall Meeting on Thursday, June 29, 2017 to provide an opportunity to update the community on its work to-date to advance the goals of the GWAP. Topics covered included: economic development; historic and cultural assets; overlay and planned development districts; master utility plan; and transportation. On October 26, 2017, The Virginia Department of Transportation's consultant, Michael Baker International, conducted a Town Hall Meeting specifically on the Route 3 Arterial Management Plan. The meeting provided a review of the work completed by Michael Baker to-date and gave an opportunity for attendees to learn more and share input regarding the future transportation plans for the Route 3 corridor.

Route 3 Arterial Preservation Plan

While developing the Germanna-Wilderness Area Plan (GWAP) it became evident that the Department of Economic Development could better understand and analyze the area's consumer market in order to recruit high-value retailers and restaurants. This would, in turn, advance business investment in the Germanna-Wilderness Area for retail, food service, and lodging as well as business and professional services firms.

Additionally, this consumer market analysis would make data and information available to small business owners throughout the county to help these businesses better target their local customers. Further, another set of analytics could be developed to assist the county's tourism businesses to better understand their target markets both from a consumer profile as well for specific geographic markets.

During FY19, proposals will be solicited to develop marketing strategies related to retail recruitment and retention as well as visitor attraction. The following are the objectives for the project:

- Develop a profile of residents and visitors, leveraging mobile analytics
- Identify Orange County's best visitors, understand how they differ from non-visitors, and identify where those best existing and potential visitors live
- Acquire new visitors
- Understand current retail and restaurant economic condition
- Recruit new retailers and restaurants
- Retain existing retailers and restaurants


Skydiving from Orange County Airport

The County has planned and undertaken several capital improvement projects at the County Airport to improve access, safety and capacity and make the facility a more valuable tool for economic development in the County. All obstruction removal activities (including easement acquisition) were suspended during fiscal year 2015 pending the completion of an Environmental Assessment (EA) which was deemed necessary by the Federal Aviation Administration (FAA).

The Environmental Assessment report was completed and approved during fiscal year 2016 allowing the Airport's capital improvement project schedule to resume. The acquisition of thirteen additional aviation easements began in 2017, after which the remaining obstructions will be removed. This will result in a clear approach to runway 26, at which time a similar project will begin for runway 8.

During fiscal year 2017, the County completed a project to upgrade the automated Weather Observation System (AWOS) located at the Orange County Airport. The AWOS provides vital, real-time weather information to pilots, and the upgrade will enable the safe operation of the facility to continue. During fiscal year 2018, the County completed a project to repair cracks, seal, and remark the runway, taxiway and apron, creating safer conditions for ground movement of aircraft while also prolonging the useful life of the paved surfaces.

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

Long-Term Financial Planning

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

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

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

Orange County Government
Five-Year General Fund Forecast

	2017-2018 Actuals	2018-2019 Budget	2019-2020 Forecast	2020-2021 Forecast	2021-2022 Forecast	2022-2023 Forecast	2023-2024 Forecast
Revenue:							
General Property Taxes	$41,243,180	$41,642,690	$42,204,288	$42,757,048	$43,319,009	$43,890,357	$44,471,278
Other Local Taxes	6,427,491	6,615,317	6,946,083	7,293,387	7,658,056	8,040,959	8,443,007
Permits, Fees, License	469,907	412,223	432,834	454,476	477,200	501,060	526,113
Fines and Forfeitures	188,732	229,981	234,581	239,272	244,058	248,939	253,918
Use of Money and Property	328,291	266,023	367,853	369,692	371,541	373,399	375,266
Charges for Service	1,971,233	2,043,399	2,018,543	2,042,765	2,067,278	2,092,086	2,117,191
Miscellaneous Revenue	455,439	302,491	311,566	320,913	330,540	340,456	350,670
Recovered Costs	1,537,172	1,433,443	1,437,519	1,497,844	1,500,369	1,496,994	1,496,744
State Aid	8,855,703	8,246,744	8,944,260	9,033,703	9,124,040	9,215,280	9,307,433
Federal Grants	74,061	13,823	13,961	14,101	14,242	14,384	14,528
Transfer In from Other Funds	1,247	1,440	1,469	1,498	1,528	1,559	1,590
Total General Fund Revenue	**$61,552,456**	**$61,207,574**	**$62,912,956**	**$64,024,699**	**$65,107,861**	**$66,215,472**	**$67,357,736**

Relevant Financial Policies

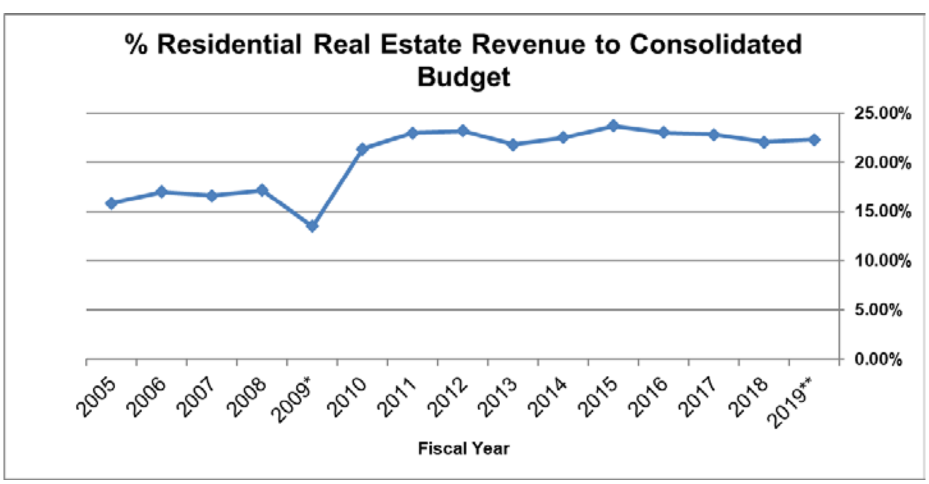
Following discussions at the 2014 planning retreat, the Board of Supervisors established a committee to draft several high-level financial policies for guiding future financial and budgetary decisions. The following policies were adopted by the Board on January 27, 2015.

Tax Revenue Generation

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

Supporting Financial Operations

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



Debt

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

Capital Improvement Plan and Budget

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

Reserves

The Board continued its Reserves Policy which sets the minimum level of acceptable unassigned General Fund balance for a fiscal stability reserve at 15% of the combined actual operating expenditures of the General Fund and School Operating Fund (net of inter-fund transfers). In addition, the Board's policy states that unassigned general fund balance should not exceed 18%. At June 30, 2018, unassigned General Fund balance increased from 20.62% to 22.58% of expenditures as defined in the policy. After June 30, 2018, carry-forward requests were approved, and additional fund balance amounts assigned of $275,042 bringing the percentage to 22.28% of operating expenditures.

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

AWARDS & ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Orange for its comprehensive annual financial report for the fiscal year ended June 30, 2017. This was the twelfth consecutive year the County has achieved this prestigious award. 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,

R. Bryan David,
County Administrator

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Orange

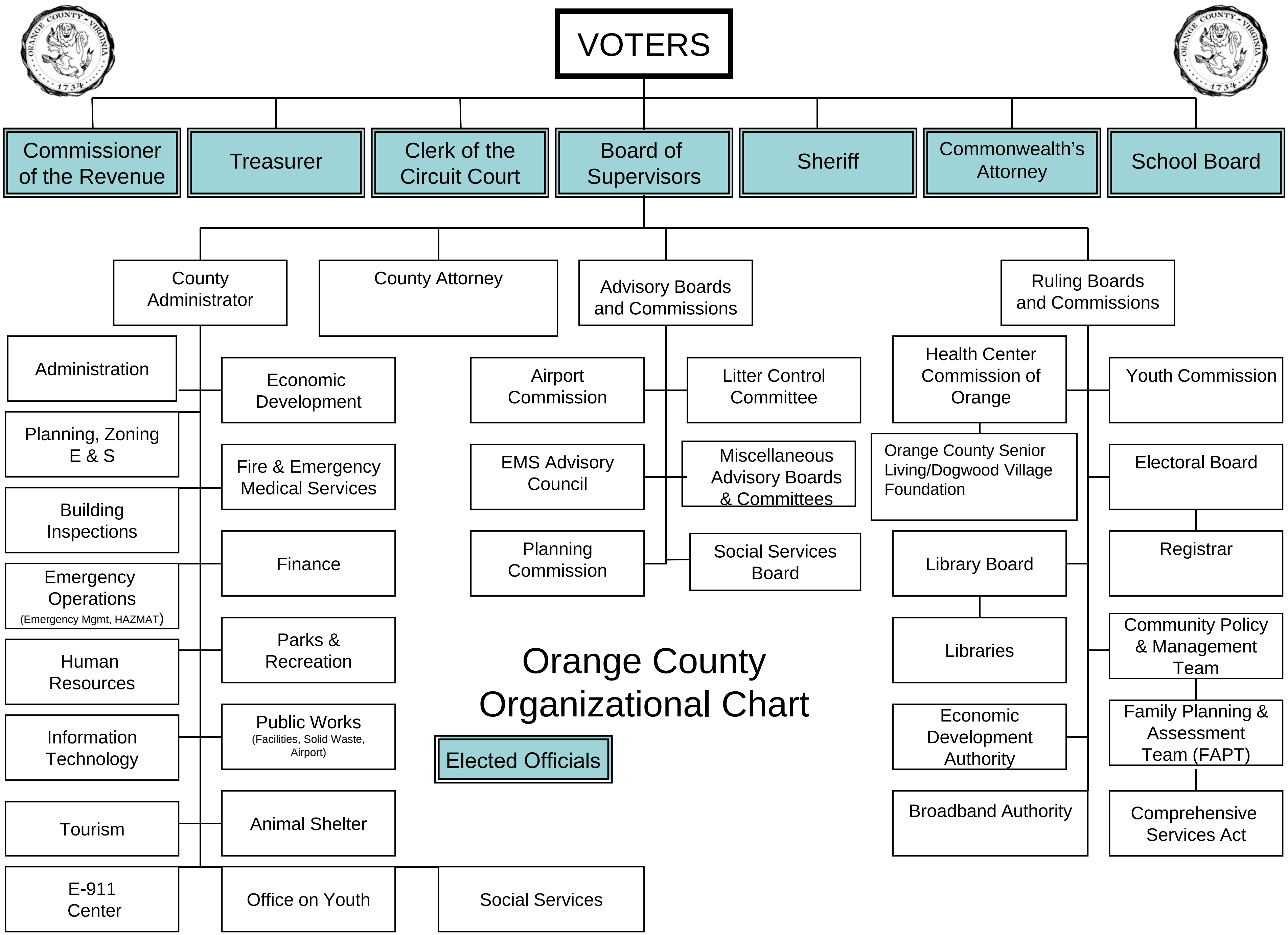
Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill

Executive Director/CEO


VOTERS
Commissioner of the Revenue
Treasurer
Clerk of the Circuit Court
Board of Supervisors
Sheriff
Commonwealth's Attorney
School Board
County Administrator
County Attorney
Advisory Boards and Commissions
Ruling Boards and Commissions
Administration
Economic Development
Planning, Zoning E & S
Fire & Emergency Medical Services
Building Inspections
Finance
Emergency Operations (Emergency Mgmt, HAZMAT)
Parks & Recreation
Human Resources
Public Works (Facilities, Solid Waste, Airport)
Information Technology
Tourism
Animal Shelter
E-911 Center
Office on Youth
Social Services
Airport Commission
Litter Control Committee
EMS Advisory Council
Miscellaneous Advisory Boards & Committees
Planning Commission
Social Services Board
Health Center Commission of Orange
Youth Commission
Orange County Senior Living/Dogwood Village Foundation
Electoral Board
Library Board
Registrar
Libraries
Community Policy & Management Team
Economic Development Authority
Family Planning & Assessment Team (FAPT)
Broadband Authority
Comprehensive Services Act
Orange County Organizational Chart
Elected Officials

COUNTY OF ORANGE, VIRGINIA

Directory of Principal Officials
June 30, 2018

Board of Supervisors

James K. White, Chair
James P. Crozier, Vice Chair

R. Mark Johnson	S. Teel Goodwin	Lee H. Frame

School Board

Sherrie Page, Chair
Jim Hopkins, Vice Chair

Carol Couch	Bette Winter	Michael Jones

Other Officials

Presiding Judge of the Circuit Court	Timothy K. Sanner
Clerk of the Circuit Court	Teresa T. Carroll
Chief Judge of the General District Court	Robert H. Downer, Jr.
Presiding Judges of the Juvenile & Domestic Relations Court	Claude V. Worrell
	Ronald L. Morris
Clerk of the General & Juvenile & Domestic Relations Court	Barbara B. Miller
County Attorney	Thomas E. Lacheney
Commonwealth's Attorney	Diana O'Connell
Commissioner of the Revenue	Renee Pope
Treasurer	Dawn Watson
Sheriff	Mark A. Amos
Superintendent of Schools	Dr. Cecil Snead
Clerk of the School Board	Laura Byram
Director of Social Services	Crystal Hale
County Administrator	R. Bryan David
Assistant County Administrator for Finance & Management Services	Glenda Bradley
Assistant County Administrator for Operations	Kurt Hildebrand
School Board Chief Financial Officer	Gary Honaker

INDEPENDENT AUDITORS

PBMares, LLP

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Orange, Virginia (County), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2018, 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.

Emphasis of Matter

As discussed in Note 22 to the financial statements, the County restated beginning net position for governmental activities, business-type activities, School Board component unit, the Airport Fund and the Landfill Fund, in order to record the liability for other postemployment benefits and related components in accordance with the implementation of GASB Statement No. 75.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis and the required supplementary information on pages 4-14 and 106-124, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

The introductory and statistical sections, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2018 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

PBMares, LLP

Harrisonburg, Virginia
November 29, 2018

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, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i through x of this report.

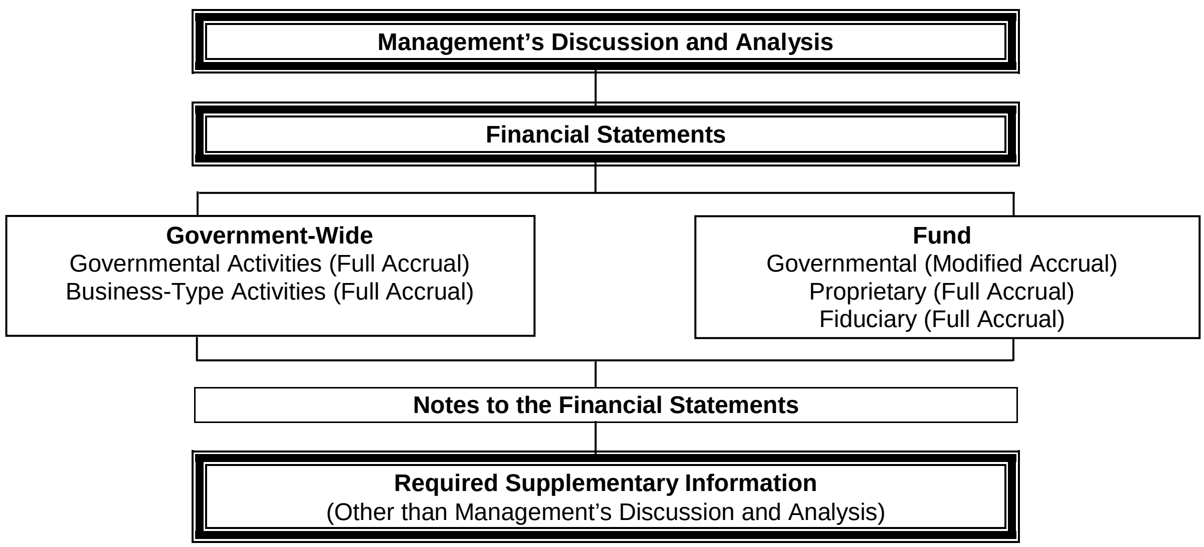
Financial Highlights

- Total assets and deferred outflows of resources of the County of Orange (primary government) exceeded total liabilities and deferred inflows of resources at the close of the most recent fiscal year by $43,974,848 (*net position*). Of this amount, $29,695,311 resulted from governmental activities and $14,279,537 from business-type activities.
- On a government-wide basis for governmental activities, the County had expenses net of program revenues of $47,627,701, which was $3,337,803 less than the general revenues, special item and transfers of $50,965,504.
- On a government-wide basis for business-type activities, the County had expenses net of program revenues of $2,431,234. The net position for business-type activities was reduced by a total of $178,813. In comparison, the net position for business-type activities was reduced by $23,709 for the year ended June 30, 2017.
- At June 30, 2018, unassigned General Fund balance was $20,732,710 or 22.58% of actual operating expenditures as defined by the County's fund balance policy.

Using the Comprehensive Annual Financial Report

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

<u>Components of the Financial Section</u>



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

Government-Wide Financial Statements

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

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

The Statement of Net Position presents information on all the County's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Net position is presented in three categories: net investment in capital assets, restricted, and unrestricted. To accurately use changes as an indicator of the County's financial health, the factors that contribute to the increases and decreases must be analyzed. Other factors, such as the County's tax rate, changes in the property tax base, and the condition of capital assets must also be considered when using the Statement of Net Position as a financial indicator.

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

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

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

Fund Financial Statements

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

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

- Proprietary Funds: There are two types of proprietary funds: Enterprise Funds and Internal Service Funds. Enterprise Funds report the same functions as the business-type activities in the government-wide financial statements. Internal Service Funds account for the goods and services provided by one department or agency to other departments or agencies of the County. The County of Orange currently has two Enterprise Funds and one Internal Service Fund. The Internal Service Fund accounts for the activities of a self-insured health plan and is classified as a governmental activity.

- Fiduciary Funds: Fiduciary funds are used to report assets held in trustee or agency capacity for others and cannot be used to support the government's own programs. The County is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The County's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. Assets for Special Welfare, Rapidan Hills Limited Partnership, the Commonwealth of Virginia, the Parks and Recreation Foundation, and amounts for Bond Escrow are held in fiduciary funds. These fiduciary activities are excluded from the County's government-wide financial statements because the County cannot use these assets to finance its operations.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on page 27 of this report.

Other Information

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

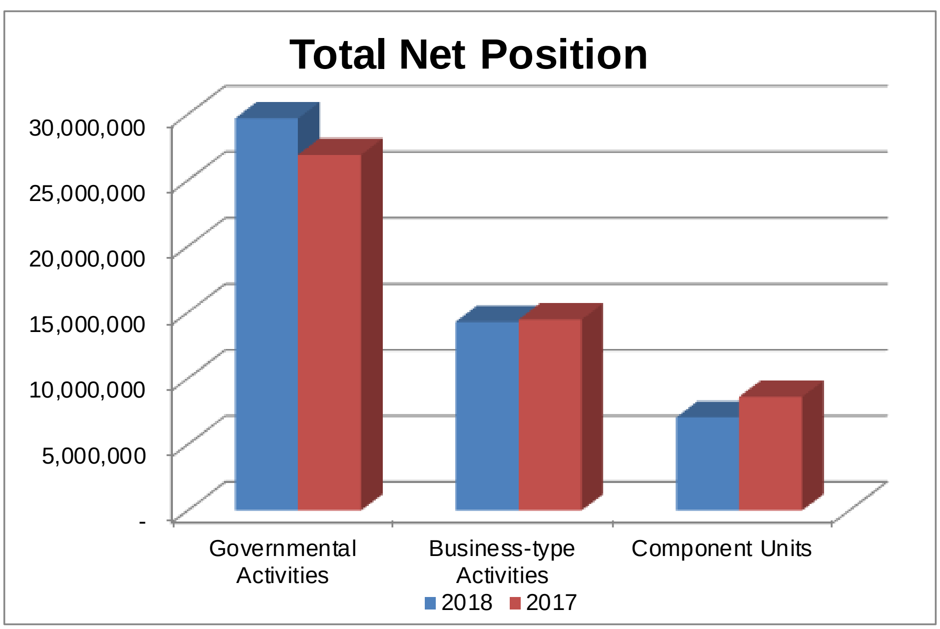
The combining statements, in connection with non-major governmental funds, are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found in the other supplementary information section of this report.

Government-Wide Financial Analysis

The following table presents the condensed Statement of Net Position:

Orange County, VA
Summary Statement of Net Position

	Primary Government					
	Governmental Activities		Business-type Activities		Component Units	
	2018	2017	2018	2017	2018	2017
Current and Other Assets	$ 72,736,774	$ 75,708,764	$ 4,138,952	$ 4,125,686	$ 10,133,812	$ 10,885,214
Capital Assets (net)	54,034,416	54,464,525	13,346,905	13,314,101	61,003,490	56,203,209
Total Assets	126,771,190	130,173,289	17,485,857	17,439,787	71,137,302	67,088,423
Total Deferred Outflows of Resources	2,289,556	3,010,954	56,496	65,127	6,208,468	7,916,317
Long-term Liabilities	94,153,456	101,507,079	3,011,125	2,794,137	58,262,326	58,644,183
Other Liabilities	4,409,571	4,227,744	208,774	223,982	5,322,182	5,385,367
Total Liabilities	98,563,027	105,734,823	3,219,899	3,018,119	63,584,508	64,029,550
Total Deferred Inflows of Resources	802,408	511,464	42,917	20,001	6,717,304	2,380,053
Net Position:						
Net Investment in Capital Assets	(18,396,119)	(23,720,203)	13,346,905	13,314,101	53,931,261	49,649,234
Restricted	25,090,835	27,106,855	-	-	-	-
Unrestricted (deficit)	23,000,595	23,551,304	932,632	1,152,693	(46,887,303)	(41,054,097)
Total Net Position	$ 29,695,311	$ 26,937,956	$ 14,279,537	$ 14,466,794	$ 7,043,958	$ 8,595,137



The following table presents the condensed Statement of Activities:

Orange County, VA
Summary Statement of Activities

	Primary Government					
	Governmental Activities		Business-type Activities		Component Units	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenues:						
Charges for Services	$ 3,455,532	$ 3,630,774	$ 759,334	$ 778,717	$ 1,096,673	$ 1,140,630
Operating Grants and Contributions	7,366,901	6,848,749	281,678	75,300	33,593,651	33,213,524
Capital Grants and Contributions	1,499,023	122,036	-	-	-	50,000
General Revenues:						
General Property Taxes	41,316,740	40,829,686	-	-	-	-
Other Local Taxes	6,643,314	6,606,988	-	-	-	-
Grants and Contributions Not Restricted to Specific Programs	-	-	-	-	22,071,124	22,598,168
Intergovernmental, Non-Categorical Aid	4,004,036	4,249,440	-	-	-	-
Use of Property and Money	746,102	352,115	-	-	9,186	7,822
Miscellaneous	473,033	483,069	34,700	22,060	1,239,460	874,301
Total Revenues	65,504,681	63,122,857	1,075,712	876,077	58,010,094	57,884,445
Expenses:						
General Government Administration	3,692,202	4,364,352	-	-	182,441	184,121
Judicial Administration	1,825,881	1,718,583	-	-	-	-
Public Safety	13,133,990	12,337,219	-	-	-	-
Public Works	1,210,318	1,103,311	-	-	153	51
Health and Welfare	7,569,465	7,489,593	-	-	-	-
Education	26,525,191	26,245,512	-	-	49,865,414	54,760,634
Parks, Recreation, and Cultural	1,331,700	1,301,536	-	-	-	-
Community Development	1,088,595	1,200,104	-	-	-	-
Interest	3,571,815	3,045,826	-	-	-	-
Airport	-	-	808,725	764,063	-	-
Landfill	-	-	2,663,521	2,533,327	-	-
Total Expenses	59,949,157	58,806,036	3,472,246	3,297,390	50,048,008	54,944,806
Change in Net Position Before Transfers and Special Items	5,555,524	4,316,821	(2,396,534)	(2,421,313)	7,962,086	2,939,639
Special Item-Refunding of Dogwood Village Note Receivable	-	(1,540,000)	-	-	-	-
Transfers In (Out)	(2,217,721)	(2,397,604)	2,217,721	2,397,604	-	-
Change in Net Position	3,337,803	379,217	(178,813)	(23,709)	7,962,086	2,939,639
Net Position (deficit), beginning, as restated*	26,357,508	26,558,739	14,458,350	14,490,503	(918,128)	5,655,498
Net Position, ending	$29,695,311	$ 26,937,956	$ 14,279,537	$ 14,466,794	$ 7,043,958	$ 8,595,137

*Net position as originally reported at July 1, 2017 was restated in conjunction with the implementation of GASB Statement No. 75.

Net Position

The Primary Government's governmental net position increased by $3,337,803 or 12.66 % during the year ended June 30, 2018. This increase was primarily due to favorable variances between budgeted and actual expenditures within the County's governmental funds. The County's net position decreased in the business-type activities as expenses (including depreciation) continue to outpace revenues, particularly in the Airport Fund. Charges for Service in the Airport Fund (including fuel sales) increased by 6.4% over the prior year as the number of aircraft based locally have increased due to the elimination of the personal property tax on aircraft. Net position in the County's component units increased by a total of $7,962,086 during fiscal year 2018.

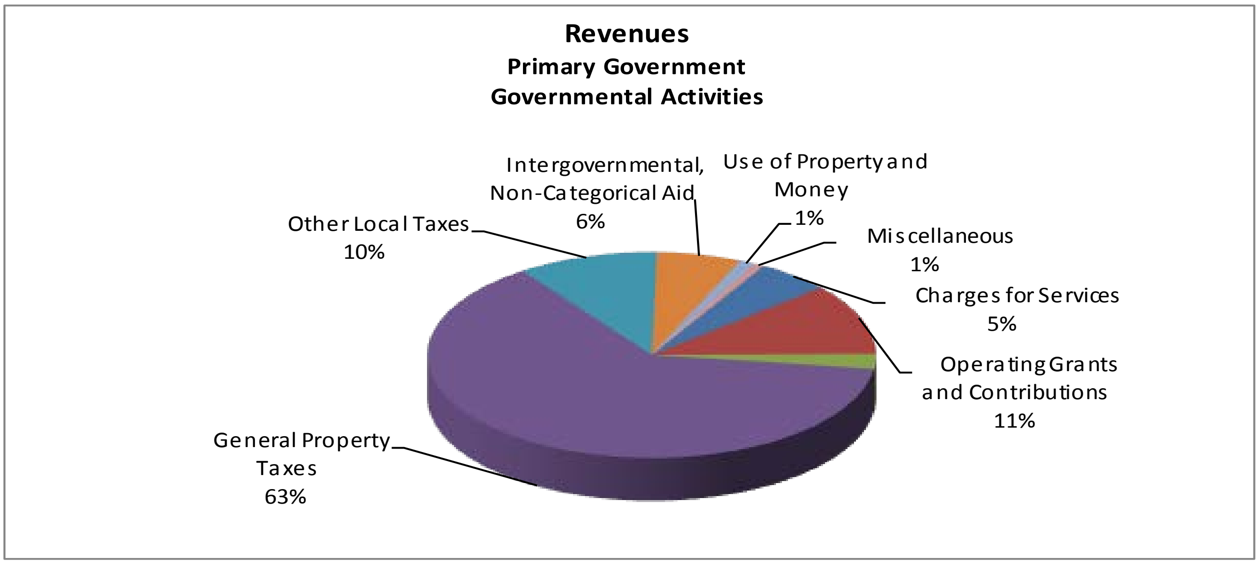
Unrestricted governmental net position decreased by $550,709. Restricted governmental net position includes $25,090,835 in restricted bond proceeds.

Revenues

For the fiscal year ended June 30, 2018, revenues generated by the Primary Government's governmental activities totaled $65,504,681. General property taxes, the County's largest revenue source, were $41,316,740. Included in this total are real and personal property levies, which are due on June 5th and December 5th each year. The real estate tax rate for fiscal year 2018 was $.804/$100, which was the same as the prior year.

Fiscal year 2018 continues to reflect the changes in the Personal Property Tax Relief Act (PPTRA) that were approved by the General Assembly in 2005. This legislation capped the amount localities receive from the state. The new legislation established a fixed amount to be provided to localities for funding tax relief for vehicles valued at less than $20,000. The PPTRA became effective with the 2006 tax year and is based on the amount collected for 2004 taxes through December 2005. The total amount Orange County receives under the new program is $2,763,073. This amount enabled the County to provide car tax relief of 32.08% up to the first $20,000 in value for fiscal year 2018.

The other local tax category includes sales tax, consumer utilities tax, consumption tax, recordation tax, motor vehicle license tax, and food and beverage tax. Local sales and use tax revenue increased by $53,624 or 1.62% from the previous fiscal year. Motor Vehicle License Tax revenue decreased by $42,109 or 3.85%, while overall Consumer Utility Tax increased by 1.19%. Consumption Tax revenue reflected little change from the prior year and Restaurant Food Taxes revenue was up by .9% from the prior year.



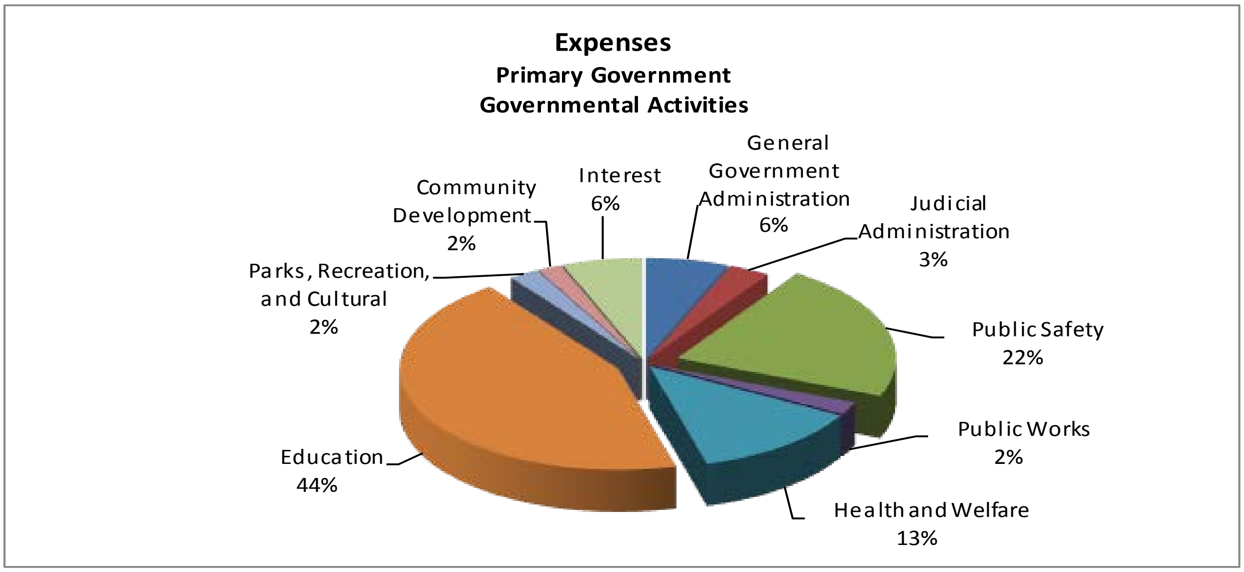
Program revenues are derived from the program itself and reduce the cost of the function to the County. This category includes charges for services and operating and capital grant revenues. Total program revenues for governmental activities were $12,321,456 an increase of $16.22% from the previous year. This increase is mainly attributable to the fact that the County received a donation of land and building for $661,100 (contributed by the Orange County Volunteer Rescue Squad) and a contribution from the E-rate Broadband project of $837,923. In addition, reimbursements for the Children's Services Act of Virginia increased by $186,236 due to increased program activity. Program revenues in the governmental funds include charges for services that totaled $3,455,532 and includes charges for ambulance fees, recreation and childcare programs, and building permits. This category reflects a decrease from the prior year of $175,242, which was distributed across functional areas of expenditures. Operating grant revenue increased by $518,152 over the prior year, primarily in the area of Health and Welfare (which includes administration of the Children's Service Act) and Community Development.

Proprietary funds generated program revenues of $759,334 from charges for services and $281,678 in operating grant revenues and contributions. Charges for services increased in the Airport Fund; however, this increase was offset somewhat by a small decrease in charges for services in the Landfill Fund. Within the component units, program revenues increased by $188,219.

Expenses

For the fiscal year ended June 30, 2018, expenses for governmental activities totaled $59,949,157, an increase of 1.94% or $1,143,121. Expenses include the cost of employee compensation, contributions to the school board, and interest on governmental debt. The largest changes are reflected in the public safety, interest charges and education categories, which increased by $796,771, $525,989 and $488,196, respectively, over the previous fiscal year. During fiscal year 2017, the County's 2007 bond issuance was re-financed, and new bonds were issued for several new projects. This resulted in a change to the debt service schedule and additional interest charges in FY18. The health and welfare category increase reflect the increase in program activity related to the Children's Services Act. Expenses for the program increased by $347,465 for fiscal year 2018.

In the Primary Government category, personnel expenses for fiscal year 2018 included increases in general government health insurance costs of approximately 8.2% and funding for the County's share of increased operating costs due to the expansion of the Central Virginia Regional Jail. During fiscal year 2018, the County added seven full-time positions, including five in Public Safety, and two in the Department of Social Services. One of the positions in Public Safety resulted in the elimination of a part-time position. One new part-time position was approved, which was a Children's Services Act (CSA) Coordinator. A county-wide market wage adjustment of 2% was implemented for all positions. Required retirement contributions remained at 9.39 % of covered payroll for the year.



Expenditures within the other functional areas of governmental activities increased by amounts related to the allocation of expenses incurred by the self-insurance fund, changes in compensated absences, pension expenses, and other long-term liabilities included in the entity-wide financial statements. Interest on long-term debt reflects an increase of $525,989, as the impact of the new 2016 Bonds and savings from the 2007 bond refunding were realized.

The County's Proprietary Funds reflect a total of $3,472,246 in expenses compared to $3,297,390 for fiscal year 2017. The Airport Fund reflects expenses that were slightly higher than the previous year. The Landfill Fund reflects an increase in expenses of 5.14%. The increase in the Airport Fund was due to an increase in the purchase of fuel for resale, which was offset by the revenue generated by those sales. In the Landfill Fund, increases in costs were mainly attributable to increased use of the Landfill and the changes in personnel expenses mentioned above.

Within the School Board component unit, overall expenses decreased by $4,993,168 or 9.12%. The decrease is mainly attributable to less capital expenditures in fiscal year 2018. The Economic Development Authority reflects expenses that are $1,680 lower than the prior year due to changes in incentive payments and project activity. Created during fiscal year 2017, the Orange County Broadband Authority is still in its infancy and had very little activity to report for the year.

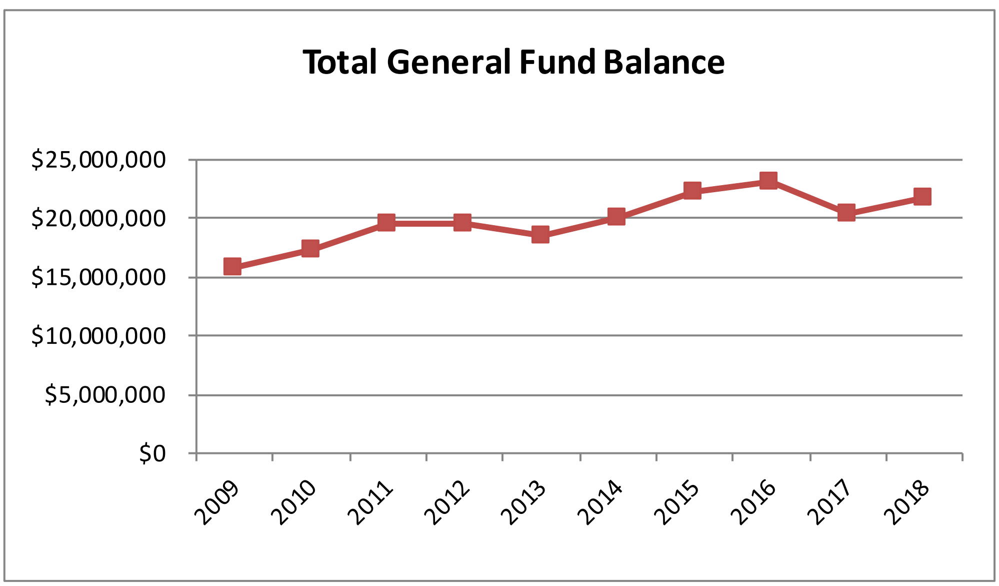
Financial Analysis of the Government's Funds

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

For the fiscal year ended June 30, 2018, the County's governmental funds reflected a combined fund balance of $50,539,489, some of which is reserved for specific purposes, such as capital outlay and debt service. The decrease of $3,197,976 under fiscal year 2017 reflects the use of $2,011,020 in restricted cash from the 2016 bond issuance. In addition, a total of $934,160 in reserves was used within the debt service fund as part of the strategic financing plan approved along with the 2016 bond issuance. This use of reserves was part of a comprehensive financing plan combining the use of cash reserves with bond proceeds for several Public Safety projects as well as the County's Broadband Initiative. The remaining bond proceeds will be expended over the next two years as the bond projects are completed. The General Fund reflected an increase in fund balance of $1,406,613, which is attributable to a combination of favorable budget-to-actual variances for revenues and expenditures. The Debt Service Fund reflects a remaining portion of those funds within its fund balance of $160,014 which is planned for expenditure during fiscal year 2019. An additional $772,500 is included within the Capital Project Fund balance. Other fund balance totals within governmental funds are assigned, committed, or restricted for specific purposes.

At June 30, 2018, unassigned General Fund balance was $20,732,710 or 22.58% of actual operating expenditures as defined by the County's fund balance policy. Total general fund balance increased by $1,406,613 from fiscal year 2017. Actual General Fund revenues were more than budget estimates (excluding appropriated fund balance) by $414,699 and actual General Fund expenditures were less than budget estimates by $2,320,419. The *revised* fiscal year 2018 budget included a total of $1,650,292 in appropriated fund balance that was not ultimately used due to the overall favorable budget-to-actual variance.

The Board of Supervisors has established a fund balance policy, which sets the minimum level of acceptable unreserved General Fund balance at 15% of the combined actual operating expenditures of the General Fund and School Operating Fund plus transfers out (net primary government's appropriation to the School Board). In addition, the Board's policy states that unassigned General Fund balance should not exceed 18%. At June 30, 2018, unassigned General Fund balance increased from 20.62% of expenditures to 22.58% as defined in the policy. The additional appropriations approved since June 30, 2018 will bring the percentage to 22.28% of operating expenditures.



Fund balance in the Virginia Public Assistance Fund remained unchanged for fiscal year 2018. Fund balance within the Debt Service Fund reflected $160,014, which is intended for future debt service payments in accordance with the financing plan associated with the 2016 bond issuance. Normally, this fund does not accumulate a fund balance because it is funded solely by transfers from the General Fund in an amount equal to the annual debt service due.

Fund balance in the Capital Projects Fund decreased by $3,673,286 mainly due to the use of $2,011,020 in bond proceeds and the continuation of several other ongoing projects within that fund. The Capital Projects Fund's balance includes $772,500 for future capital purchases in accordance with the financing plan associated with the 2016 bond issuance. The remaining fund balance within the Capital Projects Fund is assigned to specific capital projects as approved in the adopted Capital Improvements Plan.

General Fund Budgetary Highlights

Differences between the original operating budget and the final operating budget resulted in a net increase of $1,835,109 in additional appropriations. Highlights of the budget amendments are as follows:

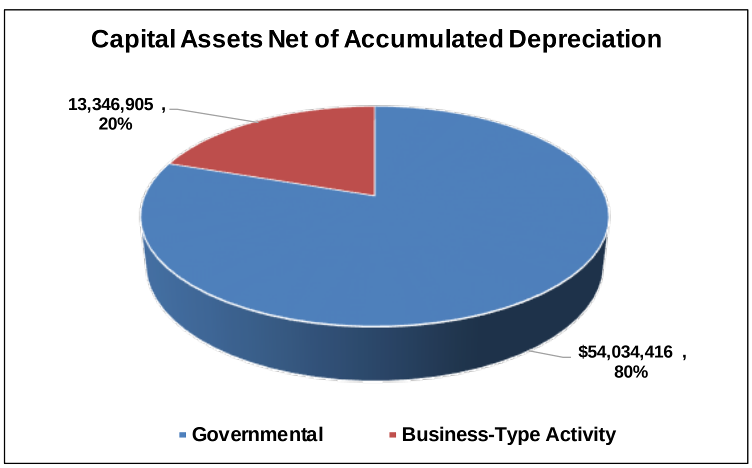
Budget Amendment	Amount
Children's Services Act Budget (increased usage, state and local)	$ 790,109
General Fund carryover requests for ongoing projects	617,178
Additional Medical Expenses for Central Virginia Regional Jail	110,477
E-911 State Grant	56,351
Animal Selter Donations for Emergency Vet Fund	44,933
Additional Line of Duty Act (LODA) Expenses	25,938
Transfers for Specific Capital Projects	24,200
Additional Overtime for Sheriff's Office Due to Turnover	23,315
Donation for Extension Service Van Purchase	10,000

The largest budget amendment was necessary during the year due to increased activity within the Children's Services Act program, which is designed to assist at-risk youth and their families. The program includes funding for services for children in foster care, those at-risk for entering foster care, and those who are seriously emotionally disturbed. Program expenses increased by $347,465 or 11.77% in fiscal year 2018. The second largest budget amendment was for the carryforward of unspent funds from fiscal year 2017 for ongoing projects. These carryforward appropriations included expenditures planned for projects, grants, and other items that were incomplete at the end of the fiscal year for a variety of reasons. Medical expenses for the County's prison population at the Central Virginia Regional Jail were more than the estimates included in the original budget and required a significant budget amendment mid-year.

Differences between the final amended budget and actuals included property tax collections that exceeded budget estimates by a total of $140,443, primarily in the personal property tax category. Other local tax revenues exceeded budget estimates by $166,116. Total commonwealth intergovernmental revenues exceeded budget estimates by $42,902. The largest expenditure variance between the final amended budget and actuals was in the Education category ($721,263).

Capital Assets

The County of Orange's investment in capital assets for its governmental and business-type activities as of June 30, 2018, amounted to $67,381,321 (net of accumulated depreciation). This investment in capital assets included land, construction in progress, landfill development, buildings and systems, improvements, machinery and equipment, harbor, and park facilities.



Orange County, VA
Primary Government
Change in Capital Assets

	Balance June 30, 2017	Net Increase/ (Decrease)	Balance June 30, 2018
Governmental Activities:			
Non-Depreciable Assets:			
Land	$ 1,028,445	$ 1,188,836	$ 2,217,281
Easements	41,990	-	41,990
Construction in Progress	661,260	2,578,021	3,239,281
Other Capital Assets:			
Buildings & Improvements	20,308,857	684,397	20,993,254
School Buildings & Improvements	41,844,412	(4,547,127)	37,297,285
Furniture and Other Equipment	11,732,992	246,090	11,979,082
Less: Accumulated Depreciation	(21,153,431)	(580,326)	(21,733,757)
Business-type Activities:			
Non-Depreciable Assets:			
Land	1,829,903	(5,592)	1,824,311
Construction in Progress	629,251	74,363	703,614
Other Capital Assets:			
Buildings & Improvements	11,767,385	272,964	12,040,349
Landfill Development Costs	3,349,705	-	3,349,705
Furniture and Other Equipment	1,287,757	241,938	1,529,695
Less: Accumulated Depreciation	(5,549,900)	(550,869)	(6,100,769)
Net Capital Assets	$ 67,778,626	$ (397,305)	$ 67,381,321

School Board capital assets are jointly owned by the County (Primary Government) and the Component Unit School Board for as long as the County owes general obligation debt on such assets. The County reports depreciation on these assets as an element of its share of the costs of the public-school system. Readers desiring more detailed information on capital asset activity should refer to Note 9 in the notes to the financial statements.

Long-Term Debt

The Constitution of Virginia, Article VII, Section 10, and the Public Finance Act provide the authority for a County to issue General Obligation (GO) Debt with no limit on the amount of GO Debt that a County may issue. All debt secured by the general obligation of the County must be approved by the Board of Supervisors and a public referendum, with the exception of Virginia Public School Authority (VPSA) Bonds and State Literary Fund Loans, which do not need approval by referendum.

The County operates a debt service fund for debt associated with the county and its school system. Debt for an Assisted Living Facility is also included; however, that facility makes lease payments to the County equal to the debt service each year. Funding for the repayment of county and school debt comes directly from the County's General Fund.

The County occasionally uses lease-purchase financing (capital leases) to acquire large equipment items as approved in the annual operating budget process. At June 30, 2018, the County had three such leases outstanding, which were for the purchase of Vesta Pallas software for the E-911 Department, two ambulances in FY15, and two ambulances in FY17. The financing for the E-911 Software is for four years at 0% interest. The FY15 lease-purchase for ambulances carries a five-year term with an interest rate of 1.56%. During fiscal 2017, two additional ambulances were purchased and financed over a three-year term at 1.6%.

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

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

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

The Primary Government's outstanding debt and other long-term liabilities at June 30, 2018 are as follows:

General Obligation Bonds:		
Series 2001	$	7,260,000
School Bond Series 2005D		5,819,936
General Obligation Bond Premiums		2,247,349
Virginia Public School Authority Bonds (VPSA):		
Series 2000 B		505,000
Series 2002		555,000
Series 2007 B		2,600,000
Series 2009 B		18,310,000
Lease Revenue Bonds:		
Series 2016		47,000,000
Lease Revenue Bond Premiums		4,274,772
Capital Leases		339,800
Landfill Obligation		2,750,000
Other Postemployment Benefits		1,777,441
Compensated Absences		1,115,575
Net Pension Liability		2,609,708
Grand Total	$	97,164,581

The Component Unit School Board's outstanding debt and other long-term liabilities at June 30, 2018 are as follows:

Capital Leases	$	7,072,229
Other Postemployment Benefits		9,444,816
Compensated Absences		1,456,942
Net Pension Liability		40,288,339
Grand Total	$	58,262,326

Additional information on the County's long-term debt can be found in Note 10 of this report.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the funds it receives. Questions concerning this report or requests for additional information should be directed to:

Glenda Bradley, Assistant County Administrator for Management Services
P. O. Box 111, Orange, VA 22960
Phone (540) 661-5406
E-mail gbradley@orangecountyva.gov
http://orangecountyva.gov

BASIC FINANCIAL STATEMENTS

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 1

STATEMENT OF NET POSITION
June 30, 2018

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Totals	School Board	EDA	Broadband Authority
ASSETS						
Cash and cash equivalents	$ 22,540,232	$ 3,238,847	$ 25,779,079	$ 6,625,109	$ 706,575	$ 378,762
Investments	4,381,033	765,056	5,146,089	978,154	-	-
Receivables, net:						
Taxes receivable	2,510,110	-	2,510,110	-	-	-
Accounts receivable	1,453,844	104,621	1,558,465	35,841	-	-
Due from other governments	1,530,720	-	1,530,720	1,409,371	-	-
Inventory	-	30,428	30,428	-	-	-
Prepaid items	15,000	-	15,000	-	-	-
Notes receivable	15,215,000	-	15,215,000	-	-	-
Restricted cash	25,090,835	-	25,090,835	-	-	-
Capital assets:						
Land	2,217,281	1,824,311	4,041,592	1,855,343	612,076	-
Easements	41,990	-	41,990	-	-	-
Buildings and improvements	20,993,254	12,040,349	33,033,603	146,141,222	-	-
School buildings and improvements	37,297,285	-	37,297,285	(37,297,285)	-	-
Landfill development costs	-	3,349,705	3,349,705	-	-	-
Furniture, equipment and vehicle	11,979,082	1,529,695	13,508,777	15,158,088	-	-
Construction in progress	3,239,281	703,614	3,942,895	1,892,436	540,453	34,799
Less accumulated depreciation and amortization	(21,733,757)	(6,100,769)	(27,834,526)	(67,933,642)	-	-
Total assets	126,771,190	17,485,857	144,257,047	68,864,637	1,859,104	413,561
DEFERRED OUTFLOWS OF RESOURCES						
Deferred charge on refunding	1,266,322	-	1,266,322	-	-	-
Pension plan	951,490	54,505	1,005,995	5,722,532	-	-
Other postemployment benefits	71,744	1,991	73,735	485,936	-	-
Total deferred outflows of resources	2,289,556	56,496	2,346,052	6,208,468	-	-
LIABILITIES						
Accounts payable and accrued expenses	1,981,904	208,774	2,190,678	5,213,339	7,321	5,616
Accrued interest payable	1,150,133	-	1,150,133	95,906	-	-
Unearned revenue	699,558	-	699,558	-	-	-
Insurance benefit claims	577,976	-	577,976	-	-	-
Long-term liabilities:						
Due within one year:						
Bonds payable	5,585,456	-	5,585,456	-	-	-
Capital leases	288,565	-	288,565	615,986	-	-
Compensated absences	793,005	9,318	802,323	130,000	-	-
Due in more than one year:						
Bonds payable, net	82,986,601	-	82,986,601	-	-	-
Capital leases	51,235	-	51,235	6,456,243	-	-
Compensated absences	264,335	48,917	313,252	1,326,942	-	-
Total other postemployment benefits liability	1,715,946	61,495	1,777,441	9,444,816	-	-
Landfill obligation	-	2,750,000	2,750,000	-	-	-
Net pension liability	2,468,313	141,395	2,609,708	40,288,339	-	-
Total liabilities	98,563,027	3,219,899	101,782,926	63,571,571	7,321	5,616
DEFERRED INFLOWS OF RESOURCES						
Pension plan	685,297	39,257	724,554	6,192,473	-	-
Other postemployment benefits	117,111	3,660	120,771	524,831	-	-
Total deferred inflows of resources	802,408	42,917	845,325	6,717,304	-	-
NET POSITION						
Net investment in capital assets	(18,396,119)	13,346,905	(5,049,214)	52,743,933	1,152,529	34,799
Restricted	25,090,835	-	25,090,835	-	-	-
Unrestricted (deficit)	23,000,595	932,632	23,933,227	(47,959,703)	699,254	373,146
Total net position	$ 29,695,311	$ 14,279,537	$ 43,974,848	$ 4,784,230	$ 1,851,783	$ 407,945

See Notes to Financial Statements.

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 2

STATEMENT OF ACTIVITIES
Year Ended June 30, 2018

		Program Revenues			Net (Expense) Revenue and Changes in Net Position					
					Primary Government			Component Units		
			Operating	Capital						
		Charges	Grants and	Grants and	Governmental	Business-type		School		Broadband
Functions/Programs	Expenses	for Services	Contributions	Contributions	Activities	Activities	Totals	Board	EDA	Authority
Primary Government:										
Governmental activities:										
General government administration	$ 3,692,202	$ 888,615	$ 254,851	$ 1,499,023	$ (1,049,713)	$ -	$ (1,049,713)	$ -	$ -	$ -
Judicial administration	1,825,881	108,811	527,116	-	(1,189,954)	-	(1,189,954)	-	-	-
Public safety	13,133,990	1,848,484	1,768,901	-	(9,516,605)	-	(9,516,605)	-	-	-
Public works	1,210,318	11,369	-	-	(1,198,949)	-	(1,198,949)	-	-	-
Health and welfare	7,569,465	400,199	4,665,042	-	(2,504,224)	-	(2,504,224)	-	-	-
Education	26,525,191	-	-	-	(26,525,191)	-	(26,525,191)	-	-	-
Parks, recreation and cultural	1,331,700	110,268	150,991	-	(1,070,441)	-	(1,070,441)	-	-	-
Community development	1,088,595	87,786	-	-	(1,000,809)	-	(1,000,809)	-	-	-
Interest	3,571,815	-	-	-	(3,571,815)	-	(3,571,815)	-	-	-
Total governmental activities	59,949,157	3,455,532	7,366,901	1,499,023	(47,627,701)	-	(47,627,701)	-	-	-
Business-type activities:										
Airport	808,725	294,252	273,061	-	-	(241,412)	(241,412)	-	-	-
Landfill	2,663,521	465,082	8,617	-	-	(2,189,822)	(2,189,822)	-	-	-
Total business-type activities	3,472,246	759,334	281,678	-	-	(2,431,234)	(2,431,234)	-	-	-
Total primary government	$ 63,421,403	$ 4,214,866	$ 7,648,579	$ 1,499,023	(47,627,701)	(2,431,234)	(50,058,935)	-	-	-
Component Units:										
School Board	$ 49,865,414	$ 1,085,298	$ 33,147,255	$ -	-	-	-	(15,632,861)	-	-
Economic Development Authority	182,441	11,375	208,517	-	-	-	-	-	37,451	-
Broadband Authority	153	-	237,879	-	-	-	-	-	-	237,726
Total component units	$ 50,048,008	$ 1,096,673	$ 33,593,651	$ -	-	-	-	(15,632,861)	37,451	237,726

General Revenues:						
Taxes:						
General property taxes	41,316,740	-	41,316,740	-	-	-
Other local taxes:						
Local sales and use	3,358,475	-	3,358,475	-	-	-
Consumer utility tax	598,492	-	598,492	-	-	-
Consumption taxes	102,257	-	102,257	-	-	-
Motor vehicle licenses	1,051,297	-	1,051,297	-	-	-
Taxes on recordation and wills	538,195	-	538,195	-	-	-
Restaurant food taxes	766,423	-	766,423	-	-	-
Other taxes	228,175	-	228,175	-	-	-
Grants and contributions not restricted to specific programs	-	-	-	22,071,124	-	-
Intergovernmental, non-categorical aid	4,004,036	-	4,004,036	-	-	-
Use of money and property	746,102	-	746,102	1,263	7,923	-
Miscellaneous	473,033	34,700	507,733	1,169,472	69,988	-
Transfers	(2,217,721)	2,217,721	-	-	-	-
Total general revenues and transfers	50,965,504	2,252,421	53,217,925	23,241,859	77,911	-
Change in net position	3,337,803	(178,813)	3,158,990	7,608,998	115,362	237,726
Net position (deficit), beginning, as restated	26,357,508	14,458,350	40,815,858	(2,824,768)	1,736,421	170,219
Net position, ending	$ 29,695,311	$ 14,279,537	$ 43,974,848	$ 4,784,230	$ 1,851,783	$ 407,945

See Notes to Financial Statements.

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 3

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

	General	Virginia Public Assistance	Debt Service	Capital Projects	Other Governmental Funds	Total
ASSETS						
Cash and cash equivalents	$ 16,873,811	$ -	$ 160,014	$ 3,749,299	$ 83,906	$ 20,867,030
Investments	3,985,802	-	-	-	-	3,985,802
Receivables, net:						
Taxes	2,510,110	-	-	-	-	2,510,110
Accounts receivable	1,407,642	-	-	46,202	-	1,453,844
Due from other governments	1,244,776	285,944	-	-	-	1,530,720
Due from other funds	65,536	-	-	-	-	65,536
Note receivable	15,215,000	-	-	-	-	15,215,000
Prepaid items	15,000	-	-	-	-	15,000
Restricted cash	-	-	-	25,090,835	-	25,090,835
Total assets	$ 41,317,677	$ 285,944	$ 160,014	$ 28,886,336	$ 83,906	$ 70,733,877
LIABILITIES						
Accounts payable and accrued expenditures	$ 1,418,213	$ 88,870	$ -	$ 406,121	$ 27,975	$ 1,941,179
Due to other funds	-	65,536	-	-	-	65,536
Unearned revenue	699,558	-	-	-	-	699,558
Total liabilities	2,117,771	154,406	-	406,121	27,975	2,706,273
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	17,488,115	-	-	-	-	17,488,115
Total deferred inflows of resources	17,488,115	-	-	-	-	17,488,115
FUND BALANCES						
Nonspendable	15,000	-	-	-	-	15,000
Restricted	-	-	-	25,090,835	-	25,090,835
Committed	-	131,538	-	-	55,931	187,469
Assigned	964,081	-	160,014	3,389,380	-	4,513,475
Unassigned	20,732,710	-	-	-	-	20,732,710
Total fund balances	21,711,791	131,538	160,014	28,480,215	55,931	50,539,489
Total liabilities, deferred inflows of resources and fund balances	$ 41,317,677	$ 285,944	$ 160,014	$ 28,886,336	$ 83,906	$ 70,733,877

EXHIBIT 4

RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2018

		Governmental Funds
Total fund balances - total governmental funds		$ 50,539,489
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.		
Governmental capital assets	$ 75,768,173	
Less accumulated depreciation and amortization	(21,733,757)	
Net capital assets		54,034,416
Deferred outflows of resources represent a consumption of net position that applies to a future period and are not recognized as deferred outflows of resources in the governmental funds.		
Pension plan	951,490	
Other postemployement benefits	71,744	
		1,023,234
Unearned revenue represents amounts that were not available to fund current expenditures and, therefore, is not reported as revenue in the governmental funds.		17,488,115
Internal service funds are used by management to charge the costs of goods provided to other departments or funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.		1,449,732
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds payable, including unamortized premiums and discounts	(88,572,057)	
Capital leases	(339,800)	
Compensated absences	(1,057,340)	
Interest payable	(1,150,133)	
Deferred charge on refunding	1,266,322	
Net pension liability	(2,468,313)	
Total other postemployment benefits liability	(1,715,946)	
		(94,037,267)
Deferred inflows of resources represent an acquisition of net position that applies to a future period and are not recognized as deferred inflows of resources in the governmental funds.		
Pension plan	(685,297)	
Other postemployement benefits	(117,111)	
		(802,408)
Net position of governmental activities		$ 29,695,311

See Notes to Financial Statements.

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 5

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS
Year Ended June 30, 2018

	General	Virginia Public Assistance	Debt Service	Capital Projects	Other Governmental Funds	Total
Revenues:						
General property taxes	$ 41,243,180	$ -	$ -	$ -	$ -	$ 41,243,180
Other local taxes	6,499,306	-	-	-	-	6,499,306
Permits, privilege fees and regulatory licenses	489,088	-	-	-	-	489,088
Fines and forfeitures	188,953	-	-	-	-	188,953
Use of money and property	328,291	-	-	417,557	254	746,102
Charges for services	1,972,012	-	-	-	7,123	1,979,135
Miscellaneous	454,439	-	-	20,000	-	474,439
Recovered costs	1,537,172	-	-	-	-	1,537,172
Intergovernmental:						
Commonwealth	8,692,832	955,843	-	-	16,617	9,665,292
Federal	145,936	1,559,709	-	-	-	1,705,645
Total revenues	61,551,209	2,515,552	-	437,557	23,994	64,528,312
Expenditures:						
Current:						
General government administration	3,035,247	-	-	-	-	3,035,247
Judicial administration	1,903,604	-	-	-	9,070	1,912,674
Public safety	12,657,265	-	-	-	10,812	12,668,077
Public works	927,812	-	-	237,879	-	1,165,691
Health and welfare	4,502,777	3,218,152	-	-	-	7,720,929
Education	21,303,773	-	-	767,351	-	22,071,124
Parks, recreation and cultural	1,341,683	-	-	-	-	1,341,683
Community development	1,116,302	-	-	-	-	1,116,302
Nondepartmental	131,692	-	-	-	-	131,692
Capital outlay	-	-	-	4,274,367	-	4,274,367
Debt service:						
Principal	-	-	6,122,307	-	-	6,122,307
Interest and fiscal charges	-	-	3,948,474	-	-	3,948,474
Total expenditures	46,920,155	3,218,152	10,070,781	5,279,597	19,882	65,508,567
Excess (deficiency) of revenues over (under) expenditures	14,631,054	(702,600)	(10,070,781)	(4,842,040)	4,112	(980,255)
Other financing sources (uses):						
Transfers in	1,247	702,600	9,136,613	1,190,754	-	11,031,214
Transfers out	(13,225,688)	-	-	(22,000)	(1,247)	(13,248,935)
Other financing sources (uses), net	(13,224,441)	702,600	9,136,613	1,168,754	(1,247)	(2,217,721)
Net change in fund balances	1,406,613	-	(934,168)	(3,673,286)	2,865	(3,197,976)
Fund balance, beginning	20,305,178	131,538	1,094,182	32,153,501	53,066	53,737,465
Fund balance, ending	$ 21,711,791	$ 131,538	$ 160,014	$ 28,480,215	$ 55,931	$ 50,539,489

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 6

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2018

		Governmental Funds
Net change in fund balances - total governmental funds		$ (3,197,976)
Reconciliation of amounts reported for governmental activities in the Statement of Activities:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization in the current period.		
Expenditures for capital assets	$ 4,242,438	
Less depreciation and amortization expense	(1,699,796)	
Excess of capital outlays over depreciation and amortization		2,542,642
Transfer of joint tenancy assets from Primary Government to the School Board Component Unit:		
Transfer of capital assets to component unit	(4,547,127)	
Transfer of depreciation to component unit	93,060	
		(4,454,067)
The net effect of miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) is to increase net position.		
Disposals of capital assets	(17,710)	
Donated capital assets	1,499,026	
		1,481,316
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Unavailable revenue		(522,657)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Principal repayments:		
General obligation debt	4,459,467	
Lease revenue bonds	1,110,000	
Capital lease	552,840	
		6,122,307
Deferred outflows of resources:		
Pension plan contributions subsequent to measurement date	951,490	
Other postemployment benefits contributions subsequent to measurement date	52,284	
		1,003,774
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Accrued interest	114,773	
Compensated absences	(47,915)	
Other postemployment benefits expense	(79,917)	
Amortization of deferred charge on refunding	(79,145)	
Amortization of premium	341,031	
Pension expense	(338,406)	
		(89,579)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net income of the internal service funds are reported with governmental activities.		
Total revenues	7,552,400	
Total expenses	(7,100,357)	
		452,043
Change in net position of governmental activities		$ 3,337,803

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 7

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2018

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Airport	Landfill	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	$ 551,813	$ 2,687,034	$ 3,238,847	$ 1,673,202
Investments	130,345	634,711	765,056	395,231
Receivables, net	34,459	70,162	104,621	-
Inventory	30,428	-	30,428	-
Total current assets	747,045	3,391,907	4,138,952	2,068,433
Noncurrent assets:				
Capital assets:				
Land	1,758,655	65,656	1,824,311	-
Buildings and improvements	11,967,647	72,702	12,040,349	-
Landfill development costs	-	3,349,705	3,349,705	-
Furniture, equipment and vehicles	178,397	1,351,298	1,529,695	-
Construction in progress	703,614	-	703,614	-
Less accumulated depreciation and amortization	(3,851,280)	(2,249,489)	(6,100,769)	-
Total capital assets, net of accumulated depreciation and amortization	10,757,033	2,589,872	13,346,905	-
Total noncurrent assets	10,757,033	2,589,872	13,346,905	-
Total assets	11,504,078	5,981,779	17,485,857	2,068,433
DEFERRED OUTFLOWS OF RESOURCES				
Pension plan	9,119	45,386	54,505	-
Other postemployment benefits	415	1,576	1,991	-
Total deferred outflows of resources	9,534	46,962	56,496	-
LIABILITIES				
Current liabilities:				
Accounts payable	10,028	162,524	172,552	40,725
Compensated absences	1,962	7,356	9,318	-
Accrued payroll	4,331	31,891	36,222	-
Insurance and benefit claims	-	-	-	577,976
Total current liabilities	16,321	201,771	218,092	618,701
Noncurrent liabilities:				
Compensated absences	10,302	38,615	48,917	-
Total other postemployment benefits liability	8,967	52,528	61,495	-
Net pension liability	23,656	117,739	141,395	-
Landfill obligation	-	2,750,000	2,750,000	-
Total noncurrent liabilities	42,925	2,958,882	3,001,807	-
Total liabilities	59,246	3,160,653	3,219,899	618,701
DEFERRED INFLOWS OF RESOURCES				
Pension plan	6,568	32,689	39,257	-
Other postemployment benefits	649	3,011	3,660	-
Total deferred outflows of resources	7,217	35,700	42,917	-
NET POSITION				
Net investment in capital assets	10,757,033	2,589,872	13,346,905	-
Unrestricted	690,116	242,516	932,632	1,449,732
Total net position	$ 11,447,149	$ 2,832,388	$ 14,279,537	$ 1,449,732

See Notes to Financial Statements.

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 8

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2018

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service
	Airport	Landfill	Totals	Fund
Operating revenues:				
Charges for services	$ 294,252	$ 465,082	$ 759,334	$ 7,552,400
Miscellaneous	-	34,700	34,700	-
Intergovernmental	273,061	8,617	281,678	-
Total operating revenues	567,313	508,399	1,075,712	7,552,400
Operating expenses:				
Personal services	106,834	681,775	788,609	-
Fringe benefits	24,971	156,963	181,934	-
Contractual services	34,970	864,001	898,971	-
Other charges	234,245	685,961	920,206	-
Insurance claims and other expenses	-	-	-	7,100,357
Depreciation and amortization	407,705	274,821	682,526	-
Total operating expenses	808,725	2,663,521	3,472,246	7,100,357
Operating income (loss)	(241,412)	(2,155,122)	(2,396,534)	452,043
Income (loss) before transfers	(241,412)	(2,155,122)	(2,396,534)	452,043
Transfers in	121,833	2,095,888	2,217,721	-
Change in net position	(119,579)	(59,234)	(178,813)	452,043
Total net position, beginning, as restated	11,566,728	2,891,622	14,458,350	997,689
Total net position, ending	$ 11,447,149	$ 2,832,388	$ 14,279,537	$ 1,449,732

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 9
Page 1

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2018

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Airport	Landfill	Totals	
Cash flows from operating activities:				
Receipts from interfund services provided	$ -	$ -	$ -	$ 7,552,400
Receipts from customers	613,116	453,911	1,067,027	-
Claims and benefits paid	-	-	-	(7,001,380)
Payments to suppliers for goods and services	(328,596)	(1,288,812)	(1,617,408)	-
Payments to employees for services	(125,313)	(815,878)	(941,191)	-
Other receipts	-	34,700	34,700	-
Net cash provided by (used in) operating activities	159,207	(1,616,079)	(1,456,872)	551,020
Cash flows from noncapital financing activities:				
Transfers from other funds	121,593	2,093,509	2,215,102	-
Net cash provided by noncapital financing activities	121,593	2,093,509	2,215,102	-
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(358,202)	(362,720)	(720,922)	-
Net cash used in capital and related financing activities	(358,202)	(362,720)	(720,922)	-
Cash flows from investing activities:				
Sale of investments	2,941	-	2,941	-
Purchase of investments	-	(71,948)	(71,948)	(128,959)
Net cash provided by (used in) investing activities	2,941	(71,948)	(69,007)	(128,959)
Net change in cash and cash equivalents	(74,461)	42,762	(31,699)	422,061
Cash and cash equivalents:				
Beginning	626,274	2,644,272	3,270,546	1,251,141
Ending	$ 551,813	$ 2,687,034	$ 3,238,847	$ 1,673,202

See Notes to Financial Statements.

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2018

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Airport	Landfill	Totals	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	$ (241,412)	$ (2,155,122)	$ (2,396,534)	$ 452,043
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	407,705	274,821	682,526	-
Loss on disposal	5,592	-	5,592	-
Other postemployment benefits expense	(415)	(1,576)	(1,991)	-
Pension expense	(3,183)	(14,985)	(18,168)	-
Changes in assets and liabilities:				
Decrease (increase) in:				
Accounts receivable	(16,631)	(19,788)	(36,419)	-
Due from other governments	62,434	-	62,434	-
Deferred outflows of resources	6,949	30,940	37,889	-
Due from other funds	-	-	-	59,412
Inventory	646	-	646	-
Increase (decrease) in:				
Accounts payable	(65,618)	43,150	(22,468)	39,565
Accrued liabilities	3,140	8,481	11,621	-
Landfill obligation	-	218,000	218,000	-
Net cash provided by (used in) operating activities	$ 159,207	$ (1,616,079)	$ (1,456,872)	$ 551,020

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 10

STATEMENT OF NET POSITION
FIDUCIARY FUNDS
June 30, 2018

		Agency Funds
ASSETS		
Cash and cash equivalents	$	795,328
Total assets	$	795,328
LIABILITIES		
Accounts payable	$	2,074
Amounts held for others		793,254
Total liabilities	$	795,328

See Notes to Financial Statements.

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

The Orange County Economic Development Authority (EDA) is included as a component unit because the EDA's primary use of funds is to provide for economic development of the County, thereby benefiting the County. The County appoints all members of the EDA's Board of Directors. The County may significantly influence the fiscal affairs of the EDA. The EDA prepares separate financial statements and can be obtained from the County.

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

B. Government-Wide and Fund Financial Statements

1. Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all non-fiduciary activities of the primary government and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Interfund services provided and used are not eliminated in the process of consolidation. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely significantly on fees charged to external parties. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

2. Fund Financial Statements

These statements are organized based on funds, each of which is considered a separate accounting entity. The emphasis is on major governmental and proprietary funds. The County reports the following major governmental funds:

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

2. Fund Financial Statements (Continued)

The County reports the following major proprietary funds:

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

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

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

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

Additionally, the County reports the following fund types:

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

1. Deposits and Investments

Cash and Cash Equivalents

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

Investments

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

2. Restricted Cash

In accordance with applicable capital lease agreements, the Capital Projects Fund reports restricted cash at June 30, 2018 of $25,090,835, which consists of unspent capital lease proceeds.

Note 1. Summary of Significant Accounting Policies (Continued)

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

3. Interfund Receivables and Payables

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

4. Prepaid Items

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

5. Inventories

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

6. Taxes Receivable

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

7. Note Receivable

During 2007, the County issued a lease revenue and refunding bond to finance construction at the County courthouse and renovations at a privately owned nursing home in the County which serves the community's needs. The County agreed to finance the nursing home renovations as part of its bond issuance and is obligated to repay the funds to the bondholders. In relation to the agreement, a note was signed which requires the nursing home to reimburse the County principal and interest outstanding under the bond obligation as it becomes due. In December 2016, the bond was refunded and a revised agreement was entered into, reducing the note receivable by $1,540,000 to $15,845,000. The County additionally requires the nursing home to maintain a minimum of two years' worth of debt service payments in an escrow account. The County has not recorded this escrow account as it does not become property of the County until a default on the note occurs. The receivable has been deferred in the governmental funds as the amounts are not considered available; however, is recognized in the fund statements as recovered costs when normal payments are received. The note is due in the following installments:

	Governmental Activities	
Year(s) Ending June 30,	Principal	Interest
2019	$ 655,000	$ 664,638
2020	680,000	637,938
2021	715,000	606,463
2022	750,000	569,838
2023	785,000	531,463
2024-2028	4,575,000	2,011,063
2029-2033	5,765,000	843,631
2034	1,290,000	25,800
	$ 15,215,000	$ 5,890,834

8. Capital Assets

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

8. Capital Assets (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed; however, no interest was capitalized during the year because there is no outstanding debt in the enterprise funds.

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

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

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

9. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County and discretely presented component unit, the School Board, have several items that qualify for reporting in this category. One item is a deferred charge on refunding resulting from the difference in carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the life of the refunded or refunding debt. The remaining items relate to the pension and other postemployment benefits (OPEB) plans. See Notes 11 through 14 for more information.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Several types of items qualify for reporting in this category. Accordingly, one item, unavailable revenue, which arises under the modified accrual basis of accounting, is reported only in the governmental funds Balance Sheet. The governmental funds report unavailable revenue from property taxes, EMS billings, a long-term note receivable, an amount due from the Town of Gordonsville, and other items not collected within the available period. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The remaining items relate to the pension and OPEB plans. See Notes 11 through 14 for more information.

Note 1. Summary of Significant Accounting Policies (Continued)

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

10. Compensated Absences

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

11. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

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

12. Pensions

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

13. Other Postemployment Benefits

Medical Insurance Program

The Medical Insurance Program is a single-employer plan. Experience gains or losses are amortized over the average working lifetime of all participants, which for the current period is five years. Plan amendments are recognized immediately. Changes in actuarial assumptions are amortized over the average working lifetime of all participants.

Group Life Insurance Program

The VRS Group Life Insurance Program (GLI) is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI was established pursuant to Section 51.1-500 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLI is a defined benefit plan that provides a basic GLI benefit for employees of participating employers. For purposes of measuring the total GLI OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI OPEB and the additions to/deductions from the VRS GLI OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Health Insurance Credit Program

The School Board professional Health Insurance Credit Program (HIC) is a multiple-employer, cost-sharing plan. The HIC was established pursuant to Section 51.1-1400 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. For purposes of measuring the HIC's total OPEB liability, deferred outflows of resources and deferred inflows of resources related to the HIC's OPEB, and the HIC's OPEB expense, information about the fiduciary net position of the HIC; and the additions to/deductions from the HIC's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 1. Summary of Significant Accounting Policies (Continued)

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

14. Fund Balances/Net Position

a. Fund Balances

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

- *Nonspendable* – Amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans, if applicable.
- *Restricted* – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- *Committed* – Amounts constrained to specific purposes by the County, using Board of Supervisors resolution; to be reported as committed, amounts cannot be used for any other purposes unless the same highest level of action is taken to remove or change the constraint.
- *Assigned* – Amounts are constrained by intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by the County Administrator or designated department head based on governing body direction, through adoption or amendment of the budget, or through ordinance or resolution.
- *Unassigned* – Amounts that are available for any purpose; positive amounts are reported only in the general fund.

b. Restricted Amounts

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

c. Minimum Fund Balance Policy

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

14. Fund Balances/Net Position (Continued)

c. Minimum Fund Balance Policy (Continued)

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

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

d. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is employed as an extension of formal budgetary integration in the governmental funds. In accordance with the County's adopted budget process, encumbered funds are reappropriated annually by the Board of Supervisors in the succeeding year's budget amendment. Encumbrances outstanding at year end total \$26,466 in the General Fund. These amounts are reported as assigned fund balance since they do not constitute expenditures or liabilities.

e. Net Position

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

f. Use of Estimates

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

E. Subsequent Events

The County has evaluated subsequent events through November 29, 2018, the date on which the financial statements were available to be issued.

Note 2. Stewardship, Compliance, and Accountability

Budgetary Information

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

1. Prior to April 1, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing July 1. The operating and capital budget includes proposed expenditures and the means of financing them. The following funds have legally adopted budgets: General Fund, Virginia Public Assistance Fund, Law Library Fund, Asset Forfeiture Fund, School Operating Fund, School Textbook Adoptions Fund, and School Adult Education Fund.

2. Public hearings are conducted to obtain citizen comments.

3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.

4. The Appropriations Resolution places legal restrictions on expenditures at the function level. The appropriation for each function can be revised by the Board of Supervisors only. Amounts that do not fall under a function's control are categorized as non-departmental even though they may relate to a particular function.

5. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds (except the School Funds). The School Funds are integrated only at the level of legal adoption.

6. All budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).

7. Appropriations lapse on June 30.

8. Budget data presented in the accompanying financial statements includes the original adopted budget and the revised budget as of June 30.

Note 3. Deposits and Investments

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

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

Note 3. Deposits and Investments (Continued)

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

The State Treasurer's Local Government Investment Pool (LGIP) is an external investment pool and a professionally managed money market fund which invests in qualifying obligations and securities as permitted by Virginia statutes. Pursuant to Section 2.2-4605 of the *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings. The County's investments in the LGIP, totaling $17,536,993, are stated at amortized cost and classified as cash and cash equivalents. The LGIP has been assigned an "AAAm" rating by Standard & Poor's. The maturity of the LGIP is less than one year.

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

The Virginia State Non-Arbitrage Program's (SNAP) SNAP Fund is a commingled investment program that operates in compliance with GASB Statement No. 79 and that was authorized by the Government Non-Arbitrage Act in 1989 (*Code of Virginia* Section 2.2-4700 et seq.). Virginia SNAP and the SNAP Fund are administered by the Treasury Board of the Commonwealth of Virginia. Virginia SNAP offers several investment options, including the SNAP Fund, and arbitrage rebate reporting services that are specifically designed for the investment of tax exempt bond proceeds.

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

Note 3. Deposits and Investments (Continued)

Investment Policy (Continued): As of June 30, 2018, the County's investment policy establishes investment types and quality levels for use by the County in the investment of its public funds:

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

Credit Risk: Credit risk is the risk that the County funds will not recover their investments due to the ability of the counterparty to fulfill its obligation. The County's policy requires commercial paper must be issued by an entity incorporated in the U.S. and rates at least A-1 by S&P or P-1 by Moody's. Corporate notes and bonds have a rating of at least AA by S&P or Aa by Moody's. Municipal obligations must have a rating of at least AA (or its equivalent) by Standard & Poor's or Moody's Investors Service. Bankers' Acceptances issued by a domestic bank or a foreign bank with an agency domiciled in the U.S., must be rated by Thomson Bankwatch at least "B/C" (issuing bank) and "I" (County of origin). Money market mutual funds must trade on a constant net asset value and invest solely in securities otherwise eligible for investment under these guidelines.

The County's investments as of June 30, 2018 are presented in the following table using the Standard & Poor's rating scale.

Rated Debt Investment	Fair Quality Ratings	
	AAAm	AAf
Local Government Investment Pool	$ 17,536,993	$ -
Virginia Investment Pool	-	6,124,242
State Non-Arbitrage Pool	26,378,464	-

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

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

Note 3. Deposits and Investments (Continued)

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

	Fair Value	Investment Maturities: Less Than 1 Year	Investment Maturities: 1 - 5 Years
Certificates of deposit	$ 521,108	$ 521,108	$ -

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

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

The County has the following recurring fair value measurement as of June 30, 2018:

- Certificates of deposit of $521,108 are valued using quoted market prices (Level 1 inputs).

At June 30, 2018, the deposits and investments were as follows:

Deposits:	
Demand deposits	$ 14,137,831
Cash on hand	5,965
Total deposits	14,143,796
Investments:	
Certificates of deposit	521,108
Local Government Investment Pool	17,536,993
Virginia Investment Pool	6,124,242
State Non-Arbitrage Pool	26,378,464
Total investments	50,560,807
Total deposits and investments	$ 64,704,603

Note 3. Deposits and Investments (Continued)

Total deposits and investments are composed as follows:

Deposits and investments:	
Cash and cash equivalents:	
Governmental Activities	$ 22,540,232
Business-type Activities	3,238,847
Component Unit - School Board	6,625,109
Component Unit - EDA	706,575
Component Unit - Broadband Authority	378,762
Total cash and cash equivalents	33,489,525
Restricted cash:	
Governmental Activities	25,090,835
Total restricted cash	25,090,835
Investments:	
Governmental Activities	4,381,033
Business-type Activities	765,056
Component Unit - School Board	978,154
Total investments	6,124,243
Total deposits and investments	$ 64,704,603

Note 4. Receivables

Receivables consist of the following:

	Governmental Activities	Business-type Activities	Total Primary Government	Component Unit - School Board
Receivables:				
Taxes	$ 3,098,464	$ -	$ 3,098,464	$ -
Less allowance for uncollectible accounts	(588,354)	-	(588,354)	-
Net taxes receivable	2,510,110	-	2,510,110	-
Accounts	1,667,740	104,621	1,772,361	35,841
Less allowance for uncollectible accounts	(213,896)	-	(213,896)	-
Net accounts receivable	1,453,844	104,621	1,558,465	35,841
Total receivables	$ 3,963,954	$ 104,621	$ 4,068,575	$ 35,841

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

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

Note 5. Unavailable and Unearned Revenue

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

	Unavailable	Unearned
Property taxes receivable, net of allowance	$ 1,886,775	$ -
Advance collection of 2018-2019 taxes	-	699,558
EMS transport fees	145,920	-
Long-term note receivable	15,215,000	-
Town of Gordonsville	76,000	-
Town of Orange	163,008	-
Other	1,412	-
	$ 17,488,115	$ 699,558

Note 6. Due From Other Governmental Units

Amounts due from other governments consist of the following:

Primary Government:	
Governmental Funds:	
General Fund:	
Other local government:	
Town of Gordonsville	$ 76,000
Town of Orange	163,008
Commonwealth of Virginia:	
Communications sales and use taxes	210,207
Children's Services Act	419,622
Categorical aid:	
Shared costs:	
Commissioner of the Revenue	8,539
Commonwealth Attorney	18,449
Sheriff	114,652
Clerk of Circuit Court	23,106
Treasurer	7,924
Other	165,645
Federal government:	
Public safety	37,624
Total General Fund	1,244,776
Virginia Public Assistance Fund:	
Commonwealth of Virginia:	
Public assistance	104,611
Federal government:	
Public assistance	181,333
Total Virginia Public Assistance Fund	285,944
Total Primary Government - Governmental Funds	1,530,720
Total Primary Government - Governmental Activities	$ 1,530,720

Note 6. Due From Other Governmental Units (Continued)

Component Unit - School Board:	
School Operating Fund:	
Commonwealth of Virginia:	
State sales tax receipts	$ 668,061
	668,061
Federal government:	
Education grants	511,938
Other	3,793
	515,731
Total School Operating Fund	1,183,792
Adult Education Fund:	
Federal government:	
Adult literacy services	21,834
Total Adult Education Fund	21,834
Head Start Fund:	
Federal government:	
Head Start program	203,745
Total Head Start Fund	203,745
Total Component Unit - School Board	$ 1,409,371

Note 7. Interfund Transfers

Interfund transfers consist of the following:

Fund	Transfer In	Transfer Out
Primary Government:		
Governmental Activities:		
General	$ 1,247	$ 13,225,688
Virginia Public Assistance	702,600	-
Debt Service	9,136,613	-
Capital Projects	1,190,754	22,000
Other Governmental Funds	-	1,247
Total Governmental Activities	11,031,214	13,248,935
Business-type Activities:		
Airport	121,833	-
Landfill	2,095,888	-
Total Business-type Activities	2,217,721	-
Total Primary Government	$ 13,248,935	$ 13,248,935
Component Unit - School Board:		
School Board:		
School Operating	$ -	$ 871,166
School Textbook Adoptions	520,969	-
Adult Education	4,314	-
School Cafeteria	634	-
School Capital Projects	345,249	-
Total Component Unit - School Board	$ 871,166	$ 871,166

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

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

Interfund and due to (from) primary government / component unit balances at June 30, 2018 are as follows:

Fund	Interfund Receivable	Interfund Payable
Primary Government:		
Governmental Funds:		
General	$ 65,536	$ -
Virginia Public Assistance	-	65,536
Total Governmental Funds	65,536	65,536
Total Primary Government	$ 65,536	$ 65,536
School Board Component Unit:		
School Operating	$ 126,246	$ -
Adult Education	-	23,430
Head Start	-	102,816
Total Component Unit - School Board	$ 126,246	$ 126,246

The receivables and payables are due to (1) the General Fund aid in funding the operations of the Virginia Public Assistance Fund and (2) the School Operating Fund aid in funding the operations of various School funds.

Note 9. Capital Assets

Capital asset activity for the year consists of the following:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets not being depreciated or amortized:					
Land	$ 1,028,445	$ 1,188,836	$ -	$ -	$ 2,217,281
Easements	41,990	-	-	-	41,990
Construction in progress	661,260	2,863,882	-	(285,861)	3,239,281
Total capital assets not being depreciated or amortized	1,731,695	4,052,718	-	(285,861)	5,498,552
Capital assets being depreciated or amortized:					
Buildings and improvements	20,308,857	398,536	-	285,861	20,993,254
School buildings and improvements	41,844,412	-	(4,547,127)	-	37,297,285
Furniture, equipment and vehicle	11,732,992	1,290,210	(963,710)	(80,410)	11,979,082
Total capital assets being depreciated or amortized	73,886,261	1,688,746	(5,510,837)	205,451	70,269,621
Less accumulated depreciation and amortization:					
Buildings and improvements	6,177,696	506,363	-	-	6,684,059
School buildings and improvements	6,891,647	745,946	(839,006)	-	6,798,587
Furniture, equipment and vehicle	8,084,088	1,193,433	(946,000)	(80,410)	8,251,111
Total accumulated depreciation and amortization	21,153,431	2,445,742	(1,785,006)	(80,410)	21,733,757
Total capital assets being depreciated or amortized, net	52,732,830	(756,996)	(3,725,831)	285,861	48,535,864
Governmental activities capital assets, net	$ 54,464,525	$ 3,295,722	$ (3,725,831)	$ -	$ 54,034,416

Note 9. Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities:					
Capital assets not being depreciated or amortized:					
Land	$ 1,829,903	$ -	$ (5,592)	$ -	$ 1,824,311
Construction in progress	629,251	74,363	-	-	703,614
Total capital assets not being depreciated or amortized	2,459,154	74,363	(5,592)	-	2,527,925
Capital assets being depreciated or amortized:					
Buildings and improvements	11,767,385	272,964	-	-	12,040,349
Landfill development costs	3,349,705	-	-	-	3,349,705
Furniture, equipment and vehicle	1,287,757	373,595	(212,067)	80,410	1,529,695
Total capital assets being depreciated or amortized	16,404,847	646,559	(212,067)	80,410	16,919,749
Less accumulated depreciation and amortization:					
Buildings and improvements	3,373,803	394,611	-	-	3,768,414
Landfill development costs	1,025,140	209,802	-	-	1,234,942
Furniture, equipment and vehicle	1,150,957	78,113	(212,067)	80,410	1,097,413
Total accumulated depreciation and amortization	5,549,900	682,526	(212,067)	80,410	6,100,769
Total capital assets being depreciated or amortized, net	10,854,947	(35,967)	-	-	10,818,980
Business-type activities capital assets, net	$ 13,314,101	$ 38,396	$ (5,592)	$ -	$ 13,346,905

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

	Governmental Activities	Business-type Activities	Total Primary Government
General government administration	$ 526,464	$ -	$ 526,464
Judicial administration	3,155	-	3,155
Public safety	983,600	-	983,600
Public works	90,598	-	90,598
Health and welfare	27,051	-	27,051
Parks, recreation, and cultural	42,894	-	42,894
Community development	26,034	-	26,034
Airport	-	407,705	407,705
Landfill	-	274,821	274,821
Total depreciation expense, primary government	$ 1,699,796	$ 682,526	$ 2,382,322

Note 9. Capital Assets (Continued)

Discretely Presented Component Unit – School Board

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

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Component Unit - School Board:					
Capital assets not being depreciated or amortized:					
Land	$ 1,855,343	$ -	$ -	$ -	$ 1,855,343
Construction in progress	2,316,809	2,066,092	-	(2,490,465)	1,892,436
Total capital assets not being depreciated or amortized	4,172,152	2,066,092	-	(2,490,465)	3,747,779
Capital assets being depreciated or amortized:					
Buildings and improvements	143,650,757	-	-	2,490,465	146,141,222
Allocated to County	(41,844,412)	4,547,127	-	-	(37,297,285)
Furniture, equipment and vehicle	15,272,913	1,489,915	(1,604,740)	-	15,158,088
Total capital assets being depreciated or amortized	117,079,258	6,037,042	(1,604,740)	2,490,465	124,002,025
Less accumulated depreciation and amortization:					
Buildings and improvements	61,948,042	2,708,115	-	-	64,656,157
Allocated to County	(6,891,647)	(745,946)	839,006	-	(6,798,587)
Furniture, equipment and vehicle	10,650,774	991,717	(1,566,419)	-	10,076,072
Total accumulated depreciation and amortization	65,707,169	2,953,886	(727,413)	-	67,933,642
Total capital assets being depreciated or amortized, net	51,372,089	3,083,156	(877,327)	2,490,465	56,068,383
School Board capital assets, net	$ 55,544,241	$ 5,149,248	$ (877,327)	$ -	$ 59,816,162

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.

Note 9. Capital Assets (Continued)

Discretely Presented Component Unit – EDA

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

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Component Unit - EDA:					
Capital assets not being depreciated:					
Land	$ 217,972	$ 394,104	$ -	$ -	$ 612,076
Construction in progress	425,699	114,754	-	-	540,453
EDA capital assets, net	$ 643,671	$ 508,858	$ -	$ -	$ 1,152,529

Discretely Presented Component Unit – Broadband Authority

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

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Component Unit - Broadband Authority:					
Capital assets not being depreciated:					
Construction in progress	$ 15,297	$ 19,502	$ -	$ -	$ 34,799
Broadband Authority capital assets, net	$ 15,297	$ 19,502	$ -	$ -	$ 34,799

Note 10. Long-Term Liabilities

Changes in long-term liabilities consist of the following:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	$ 39,509,403	$ -	$ 4,459,467	$ 35,049,936	$ 4,435,456
Premium on bonds	2,464,849	-	217,500	2,247,349	-
	41,974,252	-	4,676,967	37,297,285	4,435,456
Lease revenue/refunding bond	48,110,000	-	1,110,000	47,000,000	1,150,000
Premium on bonds	4,398,303	-	123,531	4,274,772	-
	52,508,303	-	1,233,531	51,274,772	1,150,000
Bonds payable, net	94,482,555	-	5,910,498	88,572,057	5,585,456
Capital leases	892,640	-	552,840	339,800	288,565
Compensated absences	1,009,425	1,777,930	1,730,015	1,057,340	793,005
	1,902,065	1,777,930	2,282,855	1,397,140	1,081,570
	$ 96,384,620	$ 1,777,930	$ 8,193,353	$ 89,969,197	$ 6,667,026
Business-type activities:					
Compensated absences	$ 54,009	$ 75,702	$ 71,476	$ 58,235	$ 9,318
Landfill obligation	2,532,000	218,000	-	2,750,000	-
	$ 2,586,009	$ 293,702	$ 71,476	$ 2,808,235	$ 9,318

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

Discretely Presented Component Unit – School Board

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences	$ 1,363,520	$ 545,982	$ 452,560	$ 1,456,942	$ 130,000
Capital leases	6,553,975	1,147,747	629,493	7,072,229	615,986
	$ 7,917,495	$ 1,693,729	$ 1,082,053	$ 8,529,171	$ 745,986

Note 10. Long-Term Liabilities (Continued)

Details of long-term obligations are as follows:

General Obligation Bonds:

School Board Projects:		
$2,830,000 VPSA general obligation bond, issued November 2000, due in annual installments of $150,000 to $175,000 through July 2020, plus semi-annual interest at 5.10%.	$	505,000
$25,000,000 school improvement general obligation bond, issued May 2001, due in annual installments of $1,595,000 to $1,955,000 through July 2021, plus semi-annual interest at 5.10%. The bond was issued at a premium of $304,286 which will be amortized over the life of the bond.		7,260,000
$1,615,000 VPSA general obligation bond, issued November 2002, due in annual installments of $95,000 to $125,000 through July 2023, plus semi-annual interest at 4.60% to 5.10%. The bond was issued at a premium of $60,150 which will be amortized over the life of the bond.		555,000
$13,935,316 school improvement general obligation bond, issued November 2005, due in annual installments of $699,626 to $747,800 through July 2025, plus semi-annual interest at 4.00 to 5.10%. The bond was issued at a premium of $1,064,684 which will be amortized over the life of the bond.		5,819,936
$5,220,000 VPSA general obligation bond, issued November 2007, due in annual installments of $260,000 through July 2027, plus semi-annual interest at 4.35% to 5.10%. The bond was issued at a premium of $280,267 which will be amortized over the life of the bond.		2,600,000
$30,550,000 VPSA general obligation bond, issued November 2009, due in annual installments of $1,525,000 to $1,530,000 through July 2029, plus semi-annual interest at 4.05% to 5.05%. The bond was issued at a premium of $2,700,808 which will be amortized over the life of the bond.		18,310,000
Total General Obligation Bonds	$	35,049,936

Note 10. Long-Term Liabilities (Continued)

Lease Revenue and Refunding Bond:

$48,110,000 lease revenue and refunding bonds for the public safety communications system, consolidated E-911 dispatch and facility, and rural broadband initiative, issued December 2016, due in annual installments of $1,110,000 to $4,035,000 through June 2037, plus interest payable annually at 3.13% to 5.00%. The bond was issued at a premium of $4,398,303 which will be amortized over the life of the bond.	$	47,000,000
Total Lease Revenue and Refunding Bond	$	47,000,000

Capital Leases:

$56,207 capital lease obligation (payable from the General Fund), issued July 2013, secured by equipment, annual maturity of $14,052 through July 2018, with no interest due.	$	14,052
$494,870 capital lease obligation (payable from the General Fund), issued December 2014, secured by vehicles, semi-annual maturity from $49,667 to $51,235 through December 2019, plus semi-annual interest at 1.56%.		152,519
$514,626 capital lease obligation (payable from the General Fund), issued July 2016, secured by vehicles, semi-annual maturity from $84,906 to $86,960 through March 2019, plus semi-annual interest at 1.60%.		173,229
Total Capital Leases	$	339,800

Note 10. Long-Term Liabilities (Continued)

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

	Governmental Activities					
Year(s) Ending June 30,	General Obligation Bonds Principal	General Obligation Bonds Interest	Lease Revenue and Refunding Bond Principal	Lease Revenue and Refunding Bond Interest	Capital Leases Principal	Capital Leases Interest
2019	$ 4,435,456	$ 1,601,768	$ 1,150,000	$ 2,066,471	$ 288,565	$ 4,067
2020	4,541,590	1,381,268	1,345,000	2,020,587	51,235	400
2021	4,648,046	1,155,621	1,400,000	1,963,232	-	-
2022	4,579,840	921,491	1,455,000	1,896,979	-	-
2023	2,641,990	739,372	3,515,000	1,777,508	-	-
2024-2028	11,153,014	1,198,267	17,400,000	6,199,219	-	-
2029-2033	3,050,000	139,278	13,760,000	2,743,622	-	-
2034-2037	-	-	6,975,000	429,581	-	-
	$ 35,049,936	$ 7,137,065	$ 47,000,000	$ 19,097,199	$ 339,800	$ 4,467

The assets acquired through capital leases are as follows:

	Governmental Activities
Vehicles - Pierce fire trucks	$ 1,644,939
Equipment - financial software and other equipment	803,207
Ambulances	1,252,431
	3,700,577
Less accumulated depreciation or amortization	(2,465,886)
	$ 1,234,691

Capital Leases – School Board:

$6,198,242 capital lease obligation, issued March 2013, secured by equipment, semi-annual maturity from $163,190 to $317,940 through September 2028, plus semi-annual interest at 2.59%.	$ 5,028,012
$1,259,830 capital lease obligation, issued July 2015, secured by equipment, semi-annual maturity from $28,280 to $62,142 through January 2031, plus semi-annual interest at 2.39%.	1,145,167
$1,147,747 capital lease obligation, issued July 2017, secured by equipment, annual maturity of $253,388 through July 2021, plus annual interest at 4.97%.	899,050
	$ 7,072,229

Note 10. Long-Term Liabilities (Continued)

Capital Leases – School Board: (Continued)

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

	Capital Leases	
Year(s) Ending June 30,	Principal	Interest
2019	$ 615,986	$ 200,053
2020	654,069	179,085
2021	693,899	156,884
2022	738,817	133,392
2023	529,148	94,744
2024-2028	3,171,719	318,740
2029-2031	668,591	21,191
	$ 7,072,229	$ 1,104,089

Assets acquired through capital leases are as follows:

	Governmental Activities
Phone system	$ 1,147,747
Energy performance contract - phase 1	6,191,956
Energy performance contract - phase 2	1,259,830
	8,599,533
Less accumulated depreciation	(1,427,733)
	$ 7,171,800

Note 11. Pension Plan

Name of Plan: Virginia Retirement System (VRS)

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

Administering Entity: Virginia Retirement System (System)

A. Plan Description

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

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

Plan 1	Plan 2	Hybrid Retirement Plan
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.	**About Plan 2** Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.	**About the Hybrid Retirement Plan** The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

Note 11. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1

Eligible Members

Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.

Hybrid Opt-In Election

Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.

Plan 2

Eligible Members

Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

Hybrid Opt-In Election

Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.

Hybrid Retirement Plan

Eligible Members

Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:

- Political subdivision employees.*
- School division employees (teachers).
- Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 through April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.

*Non-Eligible Members

Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:

- Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.

Note 11. Pension Plan (Continued)

A. Plan Description (Continued)

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

Note 11. Pension Plan (Continued)

A. Plan Description (Continued)

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

Note 11. Pension Plan (Continued)

A. Plan Description (Continued)

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

Note 11. Pension Plan (Continued)

A. Plan Description (Continued)

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

Note 11. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.	**Cost-of-Living Adjustment (COLA) in Retirement** The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 2%) up to a maximum COLA of 3%.	**Cost-of-Living Adjustment (COLA) in Retirement** **Defined Benefit Component** Same as Plan 2. **Defined Contribution Component** Not applicable.
Eligibility: For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.	**Eligibility:** Same as Plan 1.	**Eligibility:** Same as Plan 1 and Plan 2.
Exceptions to COLA Effective Dates: **School Division (Teachers) and Political Subdivision Employees:** The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability.	**Exceptions to COLA Effective Dates:** **School Division (Teachers) and Political Subdivision Employees:** Same as Plan 1.	**Exceptions to COLA Effective Dates:** **School Division (Teachers) and Political Subdivision Employees:** Same as Plan 1 and Plan 2.

Note 11. Pension Plan (Continued)

A. Plan Description (Continued)

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

Note 11. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
Disability Coverage **Political subdivision employees:** Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased or granted.	**Disability Coverage** **Political subdivision employees:** Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service regardless of when it was earned, purchased or granted.	**Disability Coverage** Employees of political subdivisions and school divisions (teachers), including Plan 1 and Plan 2 opt-ins, participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** **Defined Benefit Component** Same as Plan 1, with the following exception: • Hybrid Retirement Plan members are ineligible for ported service. **Defined Contribution Component** Not applicable.

Note 11. Pension Plan (Continued)

B. Employees Covered by Benefit Terms

As of the June 30, 2016 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

County (Agent Plan)

	Number
Inactive members or their beneficiaries currently receiving benefits	121
Inactive members:	
Vested inactive members	51
Non-vested inactive members	82
Inactive members active elsewhere in VRS	96
Total inactive members	229
Active members	206
Total covered employees	556

School Board Non-Professional (Agent Plan)

	Number
Inactive members or their beneficiaries currently receiving benefits	88
Inactive members:	
Vested	19
Non-vested	52
Active elsewhere in VRS	34
Total inactive members	105
Active members	161
Total covered employees	354

Note 11. Pension Plan (Continued)

C. Contributions

County (Agent Plan)

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

The County's contractually required contribution rate for the year ended June 30, 2018 was 9.39 percent of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2016.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by an employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were $1,005,995 and $938,728 for the years ended June 30, 2018 and 2017, respectively.

School Board Non-Professional (Agent Plan)

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

The School Board non-professional's contractually required contribution rate for the year ended June 30, 2018 was 4.43 percent of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2016.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by an employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School Board for the non-professional plan were $127,842 and $128,161 for the years ended June 30, 2018 and 2017, respectively.

Note 11. Pension Plan (Continued)

C. Contributions (Continued)

School Board Professional (Cost-Sharing Plan)

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

The School Board Professional's contractually required contribution rate for the year ended June 30, 2018 was 14.66 percent of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2016 and reflects the transfer in June 2015 of $192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 16.32 percent. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance the costs of any unfunded accrued liability. Based on the provision of Section 51.1-145 of the *Code of Virginia*, as amended, the contributions were funded at 89.84 percent of the actuarial rate for the year ended June 30, 2018. Contributions to the pension plan from the School Board for the professional plan were $4,288,690 and $3,795,004 for the years ended June 30, 2018 and 2017, respectively.

D. Net Pension Liability (Asset)

County and School Board Non-Professional Plans (Agent Plans)

The County and the School Board's non-professional plan net pension liability (asset) were measured as of June 30, 2017. The total pension liabilities used to calculate the net pension liability (asset) were determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

School Board Professional Plan (Cost-Sharing Plan)

At June 30, 2018, the School Board reported a liability for the professional plan of $41,008,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School Board's proportion of the net pension liability was based on the School Board's actuarially determined employer contributions to the pension plan for the year ended June 30, 2016 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the School Board's proportion was 0.33345 percent as compared to 0.34137 percent at June 30, 2016.

Note 11. Pension Plan (Continued)

D. Net Pension Liability (Continued)

School Board Professional Plan (Cost-Sharing Plan) (Continued)

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2017, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows:

	Teacher Employee Retirement Plan
Total pension liability	$ 45,417,520,000
Plan fiduciary net position	33,119,545,000
Employers' net pension liability	$ 12,297,975,000
Plan fiduciary net position as a percentage of the total pension liability	72.92%

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

E. Actuarial Assumptions

County and School Board Non-Professional Plans (Agent Plans)

General Employees

The total pension liability for General Employee's in the County's retirement plan and the total pension liability for the General Employees in the School Board non-professional retirement plan were based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal Actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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

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

Note 11. Pension Plan (Continued)

E. Actuarial Assumptions (Continued)

County and School Board Non-Professional Plans (Agent Plans) (Continued)

***General Employees* (Continued)**

Mortality Rates: 15% of deaths are assumed to be service related.

– Pre-retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at age 81 and older with projected scale BB to 2020; males 95% of rates, females 105% of rates.

– Post-retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

– Post-disablement: RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled	Update to a more current mortality table – RP 2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 15%

Note 11. Pension Plan (Continued)

E. Actuarial Assumptions (Continued)

County Plan (Agent Plan)

Public Safety Employees

The total pension liability for Public Safety employees in the County and the School Board's retirement plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date as of June 30, 2017.

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

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

Mortality Rates:	45% of deaths are assumed to be service related.
– Pre-retirement:	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.
– Post-retirement:	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.
– Post-disablement:	RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled	Update to a more current mortality table – RP 2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decrease rate from 60% to 45%

Note 11. Pension Plan (Continued)

E. Actuarial Assumptions (Continued)

School Board Professional Plan (Cost-Sharing Plan)

The total pension liability for the VRS Teacher retirement plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date as of June 30, 2017.

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

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

Mortality Rates:

– Pre-retirement:	RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.
– Post-retirement:	RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.
– Post-disablement:	RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled	Update to a more current mortality table – RP 2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

Note 11. Pension Plan (Continued)

F. Long-Term Expected Rate of Return

County and School Board Non-Professional Plans (Agent Plans) and School Board Professional Plan (Cost-Sharing Plan)

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		* Expected arithmetic nominal return	7.30%

* The above allocation provides a one-year return of 7.30 percent. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83 percent, including expected inflation of 2.50 percent.

Note 11. Pension Plan (Continued)

G. Discount Rate

The discount rate used to measure the total pension liabilities was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the employer for the County and the School Board's retirement plans will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100 percent of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liabilities.

H. Changes in the Net Pension Liability (Asset)

County (Agent Plan)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2016	$ 33,368,408	$ 29,243,968	$ 4,124,440
Changes for the year:			
Service cost	1,261,670	-	1,261,670
Interest	2,284,225	-	2,284,225
Changes of assumptions	(54,821)	-	(54,821)
Difference between expected and actual experience	(13,333)	-	(13,333)
Contributions – employer	-	938,728	(938,728)
Contributions – employee	-	495,845	(495,845)
Net investment income	-	3,581,431	(3,581,431)
Benefit payments, including refunds of employee contributions	(1,473,239)	(1,473,239)	-
Administrative expense	-	(20,329)	20,329
Other changes	-	(3,202)	3,202
Net changes	2,004,502	3,519,234	(1,514,732)
Balances at June 30, 2017	$ 35,372,910	$ 32,763,202	$ 2,609,708

Note 11. Pension Plan (Continued)

H. Changes in the Net Pension Liability (Asset) (Continued)

School Board Non-Professional (Agent Plan)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at June 30, 2016	$ 9,145,346	$ 9,110,885	$ 34,461
Changes for the year:			
Service cost	293,651	-	293,651
Interest	623,212	-	623,212
Changes of assumptions	(168,965)	-	(168,965)
Difference between expected and actual experience	(131,538)	-	(131,538)
Contributions – employer	-	128,161	(128,161)
Contributions – employee	-	147,157	(147,157)
Net investment income	-	1,102,587	(1,102,587)
Benefit payments, including refunds of employee contributions	(484,627)	(484,627)	-
Administrative expense	-	(6,446)	6,446
Other changes	-	(977)	977
Net changes	131,733	885,855	(754,122)
Balances at June 30, 2017	$ 9,277,079	$ 9,996,740	$ (719,661)

I. Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

County and School Board Non-Professional Plans (Agent Plans) and School Board Professional Plan (Cost-Sharing Plan)

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
County net pension liability (asset)	$ 7,547,084	$ 2,609,708	$ (1,444,759)
School Board's non-professional net pension liability (asset)	332,225	(719,661)	(1,604,830)
School Board professional net pension liability	61,238,000	41,008,000	24,273,000

Note 11. Pension Plan (Continued)

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

County (Agent Plan)

For the year ended June 30, 2018, the County recognized pension expense of $382,150. The County also reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ (204,490)
Changes in assumptions	-	(37,582)
Net difference between projected and actual earnings on pension plan investments	-	(482,482)
Employer contributions subsequent to the measurement date	1,005,995	-
Total	$ 1,005,995	$ (724,554)

The $1,005,995 reported as deferred outflows of resources related to pensions resulting from the County's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2019	$ (498,101)
2020	93,329
2021	(12,476)
2022	(307,306)
	$ (724,554)

Note 11. Pension Plan (Continued)

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

School Board Non-Professional (Agent Plan)

For the year ended June 30, 2018, School Board recognized pension (benefit) related to its non-professional plan of ($75,320). The School Board also reported deferred outflows of resources and deferred inflows of resources related to its non-professional plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ (146,012)
Changes in assumptions	-	(110,500)
Net difference between projected and actual earnings on pension plan investments	-	(143,961)
Employer contributions subsequent to the measurement date	127,842	-
Total	$ 127,842	$ (400,473)

The $127,842 reported as deferred outflows of resources related to pensions resulting from the School Board non-professional plan's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions for the School Board non-professional plan will be recognized in pension expense (benefit) as follows:

Year Ending June 30,	Amount
2019	$ (252,007)
2020	(54,203)
2021	220
2022	(94,483)
	$ (400,473)

Note 11. Pension Plan (Continued)

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

School Board Professional (Cost-Sharing Plan)

For the year ended June 30, 2018, the School Board recognized pension expense related to the professional plan of $2,909,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2018, the School Board reported deferred outflows of resources and deferred inflows of resources related to pensions for the professional plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and difference between employer contributions and proportionate share of contributions	$ 708,000	$ (1,398,000)
Changes in assumptions	598,000	-
Differences between expected and actual experience	-	(2,904,000)
Net difference between projected and actual earnings on pension plan investments	-	(1,490,000)
Employer contributions subsequent to the measurement date	4,288,690	-
Total	$ 5,594,690	$ (5,792,000)

The $4,288,690 reported as deferred outflows of resources related to pensions resulting from the School Board contributions for the professional plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2019	$ (1,727,000)
2020	(184,000)
2021	(689,000)
2022	(1,623,000)
2023	(263,000)
	$ (4,486,000)

K. Pension Plan Data

Detailed information about the pension plans is also available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

Note 12. Other Postemployment Benefits – Medical Insurance Program

A. Plan Description

County and the School Board

The County's and the School Board's defined benefit other postemployment benefit (OPEB) – medical insurance plan provides OPEB for all permanent full-time general and public safety employees of the County and the School Board. The plan was established by the County's Board of Supervisors, and any amendments to the plan must be approved by the Board of Supervisors. This plan is a single-employer defined benefit OPEB plan administered by the County and School Board, respectively. No assets are accumulated in a trust that meets the criteria in paragraph four of GASB Statement No. 75. This plan does not issue stand-alone financial reports.

Employees of Orange County and Orange County Public Schools are eligible to participate in the County's OPEB plan. In order to receive plan benefits upon retirement, the employee must retire directly from active service and meet one of the following Virginia Retirement System (VRS) retirement eligibility requirements:

MEDICAL INSURANCE PROGRAM PLAN PROVISIONS
General Employees Plan 1 Plan 1 includes all members vested as of January 1, 2013. • Attain age 50 with at least 10 years of service with VRS for a reduced pension benefit, or • Attain age 55 with at least 5 years of service with VRS for a reduced pension benefit, or • Attain age 65 with at least 5 years of service with VRS for an unreduced pension benefit, or • Attain age 50 with at least 30 years of service with VRS for an unreduced pension benefit.
General Employees Plan 2 and Hybrid Plan Plan 2 includes all members not vested as of January 1, 2013, and members hired on or after July 1, 2010. The Hybrid Plan includes members hired on or after January 1, 2014 or by member election. • Attain age 60 with at least 5 years of service with VRS for a reduced pension benefit, or • Attain 90 points (age plus service) with VRS for an unreduced pension benefit, or • Attain Social Security Normal Retirement Age with at least 5 years of service with VRS for an unreduced pension benefit.
Public Safety Employees Plan 1 and Plan 2 Plan 1 includes members hired prior to January 1, 2014, while Plan 2 includes members hired on or after January 1, 2014. There is no Hybrid Plan for Virginia Law Officers. • Attain age 50 with at least 5 years of service with VRS for a reduced pension benefit, or • Attain age 60 with at least 5 years of service with VRS for an unreduced pension benefit, or • Attain age 50 with at least 25 years of service with VRS for an unreduced pension benefit. Health benefits include medical, dental, and vision. Retirees eligible for Medicare are permitted to continue coverage through one of the County's health plan offerings as a supplement to Medicare benefits.

Note 12. Other Postemployment Benefits – Medical Insurance Program (Continued)

A. Plan Description (Continued)

County and the School Board (Continued)

MEDICAL INSURANCE PROGRAM PLAN PROVISIONS (Continued)
Health Plan Benefits Retirees and eligible spouses/dependents are eligible for coverage.
Retiree and Employer Contributions Retirees contribute 100% of the premium for retiree and spouse/dependent coverage.
Disability Retirement Benefit Disabled retirees must meet the same age and service requirements as other retirees in order to be eligible for benefits. Disabled retirees are eligible for the same benefits as other retirees.
Benefit Service Benefit service is credited from the date of hire with the County or School Board.
Line of Duty Act Benefits Public safety employees who become disabled or die in the line of duty are eligible for benefits under the Line of Duty Act. The County insures this benefit through the VACORP Group Self Insurance Program, which pays for all Line of Duty Act benefits. Therefore, there is no GASB 75 liability for the County.

B. Employees Covered by Benefit Terms

At June 30, 2018, the following employees were covered by the benefit terms:

County and School Board

	County	School Board
Inactive employees or beneficiaries currently receiving benefit payments	3	29
Active employees	200	668
Total	203	697

C. Total Medical Insurance Program OPEB Liability

County and School Board

The County and the School Board's total Medical Insurance OPEB liability of $3,763,257 was measured as of June 30, 2018, and was determined by an actuarial valuation as of June 30, 2016.

Note 12. Other Postemployment Benefits – Medical Insurance Program (Continued)

D. Actuarial Assumptions and Other Inputs

County and the School Board

The total Medical Insurance Program OPEB liabilities were based on an actuarial valuation as of June 30, 2016 using the Entry Age Normal actuarial cost method and the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.00%
Discount rate	3.87%
Healthcare cost trend rates	The healthcare trend assumption for medical benefits was changed from 7.00% in 2014, then grading to an ultimate rate of 4.50% in 2089 to 7.00% in 2016, 7.50% in 2017, then grading to an ultimate rate of 4.30% in 2077. These trend rates are consistent with information from the Getzen Trend Model, Milliman's Health Cost Guidelines, and actuarial judgment.

The discount rate was based on the Bond Buyer 20-Year Bond GO Index as of the measurement date.

Mortality Rates

The following mortality assumptions were chosen to match the mortality assumptions used in the June 30, 2016 Annual Financial Statement for the Virginia Retirement System.

Pre-Retirement: RP-2000 Employee Mortality Tables projected to 2020 using Scale AA with Males set forward 2 years (5 years for Public Safety employees) and Females set back 3 years. Please see the appendices for more details.

Post-Retirement: RP-2000 Combined Healthy Mortality tables projected to 2020 using Scale AA with Females set back 1 year. Please see the appendices for more details.

Post-Disablement: RP-2000 Disabled Life mortality tables with Males set back 3 years and no provision for future mortality improvement. Please see the appendices for more details.

Note 12. Other Postemployment Benefits – Medical Insurance Program (Continued)

E. Changes in the Total Medical Insurance OPEB Liability

County and the School Board

	Total OPEB Liability
Balance at June 30, 2017	$ 3,679,307
Changes for the year:	
Service cost	243,694
Interest	134,196
Changes in assumptions or other inputs	(114,730)
Benefit payments	(179,210)
Net changes	83,950
Balance at June 30, 2018	$ 3,763,257

Changes of assumptions and other inputs reflect a change in the discount rate from 3.50% in 2017 to 3.87% in 2018.

F. Sensitivity of the Total Medical Insurance OPEB Liabilities to Changes in the Discount Rate

The following presents the total OPEB liabilities of the County and the School Board calculated using the stated discount rate, as well as what the County and the School Board's total Medical Insurance OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87%) or 1-percentage-point higher (4.87%) than the current discount rate:

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Total OPEB liability	$ 4,081,594	$ 3,763,257	$ 3,471,242

G. Sensitivity of the Total Medical Insurance OPEB Liabilities to Changes in Healthcare Cost Trend Rate

The following represents the total Medical Insurance OPEB liabilities of the County and the District and the School Board calculated using the stated discount rate, as well as what the County and the District's and the School Board's total Medical Insurance OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB liability	$ 3,286,883	$ 3,763,257	$ 4,331,102

Note 12. Other Postemployment Benefits – Medical Insurance Program (Continued)

H. Medical Insurance OPEB Expense and Deferred Outflows of Resources Related to Medical Insurance OPEB

For the year ended June 30, 2018, the County and the School Board recognized Medical Insurance OPEB expense of $938,400 and $2,824,817, respectively.

County and the School Board

At June 30, 2018, the County and the School Board reported deferred inflows of resources related to the Medical Insurance OPEB from the following sources:

	Deferred Inflows of Resources
Change in assumptions	$ (94,602)

Amounts reported as deferred inflows of resources related to the Medical Insurance OPEB will be recognized in the Medical Insurance OPEB expense in future reporting periods as follows:

Year Ending June 30,	Amount
2019	$ (20,128)
2020	(20,128)
2021	(20,128)
2022	(20,128)
2023	(14,090)
Total	$ (94,602)

Note 13. Other Postemployment Benefits – Group Life Insurance Program

A. Plan Description

All full-time, salaried permanent employees of the County and the School Board non-professional and the School Board professional employees are automatically covered by the VRS Group Life Insurance Program (GLI) upon employment. This plan is administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

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

The specific information for GLI OPEB, including eligibility, coverage and benefits is set out in the table below:

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
Eligible Employees The GLI was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program. Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.
Benefit Amounts The benefits payable under the GLI have several components. • Natural Death Benefit – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. • Accidental Death Benefit – The accidental death benefit is double the natural death benefit. • Other Benefit Provisions – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: o Accidental dismemberment benefit o Safety belt benefit o Repatriation benefit o Felonious assault benefit o Accelerated death benefit option
Reduction in Benefit Amounts The benefit amounts provided to members covered under the GLI are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.
Minimum Benefit Amount and Cost-of-Living Adjustment (COLA) For covered members with at least 30 years of creditable service, there is a minimum benefit payable under GLI. The minimum benefit was set at $8,000 by statute. This amount is increased annually based on the VRS Plan 2 COLA and is currently $8,111.

Note 13. Other Postemployment Benefits – Group Life Insurance Program (Continued)

B. Contributions

The contribution requirements for the GLI are governed by Sections 51.1-506 and 51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution, however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2016. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI from the participating employers for the years ended June 30, 2018 and June 30, 2017 were as follows:

	2018	2017
County	**$ 53,735**	$ 46,874
School Board Non-Professional	**16,223**	15,888
School Board Professional	**139,623**	136,718

C. GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB

At June 30, 2018, the participating employers' reported liabilities for its proportionate share of the net GLI OPEB liability as follows:

	Amount
County	$ 839,000
School Board Non-Professional	249,000
School Board Professional	2,145,000

The net GLI OPEB liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the net GLI OPEB liability was determined by an actuarial valuation as of that date. The covered employers' proportion of the net GLI OPEB liability was based on the covered employer's actuarially determined employer contributions to the GLI for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, comparisons of the participating employers' proportions to June 30, 2016 are as follows:

	2017	2016
County	0.05572%	0.05434%
School Board Non-Professional	0.01656%	0.01714%
School Board Professional	0.14254%	0.14530%

For the year ended June 30, 2018, the County, School Board non-professional, and School Board professional employees recognized GLI OPEB expense of $13,000, $1,000, and $17,000, respectively. Since there was a change in the proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

Note 13. Other Postemployment Benefits – Group Life Insurance Program (Continued)

C. GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB (Continued)

At June 30, 2018, the employers reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

County

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ (18,000)
Net difference between projected and actual earnings on GLI OPEB program investments	-	(32,000)
Change in assumptions	-	(43,000)
Changes in proportion	20,000	-
Employer contributions subsequent to the measurement date	53,735	-
Total	$ 73,735	$ (93,000)

The $53,735 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the net GLI OPEB liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ending June 30,	Amount
2019	$ (15,000)
2020	(15,000)
2021	(15,000)
2022	(15,000)
2023	(7,000)
Thereafter	(6,000)
Total	$ (73,000)

Note 13. Other Postemployment Benefits – Group Life Insurance Program (Continued)

C. GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB (Continued)

School Board Non-Professional Plan

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ (6,000)
Net difference between projected and actual earnings on GLI OPEB program investments	-	(9,000)
Change in assumptions	-	(13,000)
Changes in proportion	-	(8,000)
Employer contributions subsequent to the measurement date	16,223	-
Total	$ 16,223	$ (36,000)

The $16,223 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the net GLI OPEB liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ending June 30,	Amount
2019	$ (8,000)
2020	(8,000)
2021	(8,000)
2022	(8,000)
2023	(3,000)
Thereafter	(1,000)
Total	$ (36,000)

Note 13. Other Postemployment Benefits – Group Life Insurance Program (Continued)

C. GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB (Continued)

School Board Professional Plan

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ (48,000)
Net difference between projected and actual earnings on GLI OPEB program investments	-	(81,000)
Change in assumptions	-	(110,000)
Changes in proportion	-	(41,000)
Employer contributions subsequent to the measurement date	139,623	-
Total	$ 139,623	$ (280,000)

The $139,623 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the net GLI OPEB liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ending June 30,	Amount
2019	$ (56,000)
2020	(56,000)
2021	(56,000)
2022	(56,000)
2023	(36,000)
Thereafter	(20,000)
Total	$ (280,000)

Note 13. Other Postemployment Benefits – Group Life Insurance Program (Continued)

D. Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5%
Salary increases, including inflation:	
Teachers	3.5%-5.95%
Locality – general employees	3.5%-5.35%
Locality – hazardous duty employees	3.5%-4.75%
Investment rate of return	7.0%, net of investment expenses, including inflation*

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

School Board Professional Plan

Mortality Rates – Teachers

Pre-Retirement: RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement: RP-2014 White Collar Employee Rates to age 49, White Collar Health Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back three years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement: RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

Note 13. Other Postemployment Benefits – Group Life Insurance Program (Continued)

D. Actuarial Assumptions (Continued)

School Board Professional Plan (Continued)

Mortality Rates – Teachers (Continued)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and changed final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year through nine years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

County and School Board Non-Professional Plans

Mortality Rates – General Employees

Pre-Retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward three years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement: RP-2014 Disability Life Mortality Table projected with Scale BB to 2020; males set forward two years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Note 13. Other Postemployment Benefits – Group Life Insurance Program (Continued)

D. Actuarial Assumptions (Continued)

County and School Board Non-Professional Plans (Continued)

Mortality Rates – Hazardous Duty Employees

Pre-Retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward one year.

Post-Retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward one year with 1.0% increase compounded from ages 70 to 90; females set forward three years.

Post-Disablement: RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward two years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

E. Net GLI OPEB Liability

The net OPEB liability (NOL) for the GLI represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the GLI is as follows:

	Group Life Insurance OPEB Program
Total GLI OPEB liability	$ 2,942,426,000
Plan fiduciary net position	1,437,586,000
Employers' net GLI OPEB liability	$ 1,504,840,000
Plan fiduciary net position as a percentage of the total GLI OPEB liability	48.86%

Note 13. Other Postemployment Benefits – Group Life Insurance Program (Continued)

E. Net GLI OPEB Liability (Continued)

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

F. Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
	Inflation		2.50%
	* Expected arithmetic nominal return		7.30%

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Note 13. Other Postemployment Benefits – Group Life Insurance Program (Continued)

G. Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the participating employers for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

H. Sensitivity of the Participating Employers' Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the participating employers' proportionate share of the net GLI OPEB liability using the discount rate of 7.00%, as well as what the participating employers' proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
County	$ 1,085,000	$ 839,000	$ 639,000
School Board Non-Professional	322,000	249,000	190,000
School Board Professional	2,774,000	2,145,000	1,635,000

I. GLI Fiduciary Net Position

Detailed information about the GLI's fiduciary net position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia, 23218-2500.

Note 14. Other Postemployment Benefits – Health Insurance Credit Program

A. Plan Description

The County has one type of Health Insurance Credit Program (HIC) OPEB plan, a cost-sharing employer plan for VRS teacher employees (School Board professional plan). For the School Board professional plan, all full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee Health Insurance Credit Program. This plan is administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

The specific information for the School Board Professional Plan HIC OPEB, including eligibility, coverage, and benefits is set out in the table below:

TEACHER EMPLOYEE HIC PLAN PROVISIONS
Eligible Employees The Teacher Employee Retiree HIC was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit. Eligible employees are enrolled automatically upon employment. They include: • Full-time permanent (professional) salaried employees of public school divisions covered under VRS.
Benefit Amounts The Teacher Employee Retiree HIC provides the following benefits for eligible employees: • At Retirement – for teacher and other professional school employees who retire, the monthly benefit is $4.00 per year of service per month with no cap on the benefit amount. • Disability Retirement – for teacher and other professional school employees who retire on disability or go on long-term disability under the VLDP, the monthly benefit is either: o $4.00 per month, multiplied by twice the amount of service credit, or o $4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.
Health Insurance Credit Program Notes • The monthly HIC benefit cannot exceed the individual premium amount • Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the HIC as a retiree.

Note 14. Other Postemployment Benefits – Health Insurance Credit Program (Continued)

B. Contributions

The contribution requirement for active employees is governed by Section 51.1-1402(E) of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. For the year ended June 30, 2018, the contractually required employer contribution rates of covered employee compensation for the School Board professional plan was 1.23%. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2016. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the HIC were $330,091 and $291,797 for the years ended June 30, 2018 and 2017, respectively.

C. Net HIC OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee HIC represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the Teacher Employee HIC is as follows:

	Teacher Employee HIC OPEB Plan
Total teacher employee HIC OPEB liability	$1,364,702,000
Plan fiduciary net position	96,091,000
Teacher employee net HIC OPEB liability	$1,268,611,000
Plan fiduciary net position as a percentage of the total teacher employee HIC OPEB liability	7.04%

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

Note 14. Other Postemployment Benefits – Health Insurance Credit Program (Continued)

D. Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5%
Salary increases, including inflation:	
Teacher employees	3.5%-5.95%
Investment rate of return	7.0%, net of investment expenses, including inflation*

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

Mortality Rates – Teachers

Pre-Retirement: RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement: RP-2014 White Collar Employee Rates to age 49, White Collar Health Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back three years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement: RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and changed final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year through nine years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

Note 14. Other Postemployment Benefits – Health Insurance Credit Program (Continued)

E. Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
	Inflation		2.50%
	* Expected arithmetic nominal return		7.30%

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

F. Discount Rate

The discount rate used to measure the total HIC OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the School Board professional plan for the HIC OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total HIC OPEB liability.

Note 14. Other Postemployment Benefits – Health Insurance Credit Program (Continued)

G. Sensitivity of the HIC Net OPEB Liabilities to Changes in the Discount Rate

The following presents the net HIC OPEB liability using the discount rate of 7.00%, as well as what the net HIC OPEB liabilities would be if they were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School Board Professional	$ 4,716,000	$ 4,226,000	$ 3,809,000

H. HIC OPEB Liabilities, HIC OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HIC OPEB

At June 30, 2018, the School Board professional plan reported a liability of $4,226,000 for its proportionate share of the Teacher Employee HIC total OPEB liability. The total Teacher Employee HIC OPEB liability was measured as of June 30, 2017 and the total Teacher Employee HIC OPEB liability used to calculate the total Teacher Employee HIC OPEB liability was determined by an actuarial valuation as of that date. The School Board professional plan's proportion of the total Teacher Employee HIC OPEB liability was based on the School Board professional plan's actuarially determined employer contributions to the Teacher Employee HIC OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the School Board professional plan's proportion of the Teacher Employee HIC was 0.33310% as compared to 0.34135% at June 30, 2016.

For the year ended June 30, 2018, the School Board professional plan recognized Teacher Employee HIC OPEB expense of $330,000. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017, a portion of the Teacher Employee HIC net OPEB expense was related to deferred amounts from changes in proportion.

Note 14. Other Postemployment Benefits – Health Insurance Credit Program (Continued)

H. HIC OPEB Liabilities, HIC OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HIC OPEB (Continued)

At June 30, 2018, the School Board professional plan reported deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB from the following sources (amounts expressed in the thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on HIC OPEB program investments	$ -	$ (8,000)
Change in assumptions	-	(43,000)
Changes in proportionate share	-	(91,000)
Employer contributions subsequent to the measurement date	330,091	-
Total	$ 330,091	$ (142,000)

The $330,091 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the School Board professional plan's contributions subsequent to the measurement date will be recognized as a reduction of the total Teacher Employee HIC OPEB liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows (amounts expressed in the thousands):

Year Ending June 30,	Amount
2019	$ (22,000)
2020	(22,000)
2021	(22,000)
2022	(22,000)
2023	(21,000)
Thereafter	(33,000)
Total	$ (142,000)

I. HIC Credit Program Plan Data

Information about the VRS Political Subdivision HIC is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia, 23218-2500.

Note 15. Landfill Closure and Post-Closure Care Cost

Permit 90 – Closed Landfill

The County closed its former landfill in 2013. State and federal laws and regulations require the County to place a final cover and to perform certain maintenance and monitoring functions at the site for 30 years after closure. The cumulative amount of estimated post-closure care and corrective action costs for this site, less costs paid to date, totals $1,732,000. Actual costs may be higher due to inflation, changes in technology, changes in regulations, or other unforeseen circumstances. The County intends to fund these costs from funds accumulated for this purpose in the Landfill Fund as well as transfers from the General Fund.

Permit 566 – Open Landfill

The County owns and operates a landfill site from which it collects tipping fees based upon the source of the waste. The landfill began accepting waste in January 2013. State and federal laws will require the County to place a final cover on this site when it stops accepting waste and to perform maintenance and monitoring functions for 30 years after closure. Although closure and post-closure care costs are paid only near or after the date the landfill stops accepting waste, the County will report a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used. The $1,018,000 reported as landfill closure and post-closure liability as of June 30, 2018 represents the cumulative amount reported to date based on estimated use of approximately 47 percent of the estimated capacity of Cell #1, as well as anticipated future cells for closure costs, and use of approximately 5 percent of the estimated capacity of the entire landfill site for post-closure costs. The remaining estimated cost of closure and post-closure care of $3,844,000 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.

Note 16. Commitments and Contingencies

Litigation

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

Federal Grants

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

Commitments

The County, School Board, Economic Development Authority and Broadband Authority have entered into various construction contracts. Future amounts due under these agreements are approximately $8,723,000, $1,275,000, $35,000 and $76,000 for the County, School Board, Economic Development Authority and Broadband Authority, respectively, at year end.

Note 16. Commitments and Contingencies (Continued)

Leases

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

Note 17. Risk Management

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

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

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

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

Changes in the claims liability amount are shown below:

Fiscal Year Ended	Beginning Liability	Current Year Claims	Claim Payments	Ending Liability
June 30, 2018	$ 518,142	$ 6,272,286	$ 6,212,452	$ 577,976
June 30, 2017	505,667	6,770,954	6,758,479	518,142
June 30, 2016	454,016	6,386,331	6,334,680	505,667

Note 18. Fund Balances

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

	General	Virginia Public Assistance	Debt Service	County Capital Projects	Other	Total
Nonspendable:						
Prepaids	$ 15,000	$ -	$ -	$ -	$ -	$ 15,000
Total nonspendable	15,000	-	-	-	-	15,000
Restricted for:						
Capital projects	-	-	-	25,090,835	-	25,090,835
Total restricted	-	-	-	25,090,835	-	25,090,835
Committed to:						
Judicial administration	-	-	-	-	25,164	25,164
Public safety	-	-	-	-	30,767	30,767
Public assistance	-	131,538	-	-	-	131,538
Total committed	-	131,538	-	-	55,931	187,469
Assigned to:						
Subsequent year appropriation	632,438	-	-	-	-	632,438
Child care reserve	60,242	-	-	-	-	60,242
Destroyed livestock	9,364	-	-	-	-	9,364
Reassessment reserve	262,037	-	-	-	-	262,037
Debt service	-	-	160,014	-	-	160,014
Capital projects	-	-	-	3,389,380	-	3,389,380
Total assigned	964,081	-	160,014	3,389,380	-	4,513,475
Unassigned	20,732,710	-	-	-	-	20,732,710
Total fund balance	$ 21,711,791	$ 131,538	$ 160,014	$ 28,480,215	$ 55,931	$ 50,539,489

Note 19. Tax Abatements and Commonwealth's Opportunity Fund

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

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

For the fiscal year ended June 30, 2018, the County abated property taxes totaling $123,180 under this incentive program, including the following tax abatement agreements:

- Property tax abatement to an apparel printing and distribution facility in the amount of $72,763.
- Property tax abatement to an adhesive manufacturing facility in the amount of $23,140.
- Property tax abatement to an aerospace facility in the amount of $27,277.

Note 20. Pending GASB Statements

At June 30, 2018, the Governmental Accounting Standards Board (GASB) had issued statements not yet implemented by the County. The statements which might impact the County are as follows:

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

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

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

GASB Statement No. 88, *Certain Disclosures Related to Debt*, will improve the information that is disclosed in notes related to debt. It also clarifies which liabilities governments should include when disclosing information related to debt. Statement No. 88 will be effective for fiscal years beginning after June 15, 2018.

Note 20. Pending GASB Statements (Continued)

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, will (1) enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. Statement No. 89 will be effective for fiscal years beginning after December 15, 2019.

GASB Statement No. 90, *Majority Equity Interests*, is intended to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. Statement No. 90 will be effective for reporting periods beginning after December 15, 2018.

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

Note 21. Subsequent Events

Subsequent to year end, the Orange County School Board finalized a lease agreement in the amount of $731,539 to finance the purchase of seven buses for a three-year term with an interest rate of 2.77%.

The County of Orange finalized a lease agreement in the amount of $163,600 to finance the purchase of a Peterbilt Roll Off Truck for an eight-year term with an interest rate of 3.35%.

The Town of Orange, Orange County School Board, and County of Orange entered into a lease and right of way use agreement for 40 years for the purpose of providing broadband connectivity. The County of Orange and Orange County School Board shall pay the Town of Orange $425 annually per mile of cable beginning in fiscal year 2020, as well as a one-time administrative review fee of $250 per proposed structure and $1 per linear foot of proposed cable.

Note 22. Change in Accounting Principle

As of June 30, 2018, the County adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as amended, as well as the requirements of GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans,* as they relate to OPEB. The following adjustments have been made:

	Governmental Activities	Business-Type Activities	Component Unit School Board
Net position, as originally reported, July 1, 2017	$ 26,937,956	$ 14,466,794	$ 6,688,497
Net adjustment as a result of implementation of GASB Statement No. 75	(580,448)	(8,444)	(9,513,265)
Net position (deficit), as restated, July 1, 2017	$ 26,357,508	$ 14,458,350	$ (2,824,768)

	Airport Fund	Landfill Fund
Net position, as originally reported, July 1, 2017	$ 11,570,060	$ 2,896,734
Net adjustment as a result of implementation of GASB Statement No. 75	(3,332)	(5,112)
Net position, as restated, July 1, 2017	$ 11,566,728	$ 2,891,622

REQUIRED SUPPLEMENTARY INFORMATION

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 11

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
Year Ended June 30, 2018

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Over (Under)
Revenues:				
General property taxes	$ 41,086,237	$ 41,102,737	$ 41,243,180	$ 140,443
Other local taxes	6,333,190	6,333,190	6,499,306	166,116
Permits, privilege fees and regulatory licenses	357,293	357,293	489,088	131,795
Fines and forfeitures	166,154	166,154	188,953	22,799
Use of money and property	125,995	226,120	328,291	102,171
Charges for services	1,980,915	2,014,596	1,972,012	(42,584)
Miscellaneous	381,960	534,211	454,439	(79,772)
Recovered costs	1,495,994	1,550,008	1,537,172	(12,836)
Intergovernmental:				
Commonwealth	8,174,424	8,749,167	8,692,832	(56,335)
Federal	165,459	103,034	145,936	42,902
Total revenues	60,267,621	61,136,510	61,551,209	414,699
Expenditures:				
Current:				
General government administration	3,228,531	3,442,633	3,035,247	(407,386)
Judicial administration	1,812,863	1,972,768	1,903,604	(69,164)
Public safety	12,692,512	13,131,409	12,657,265	(474,144)
Public works	950,004	995,006	927,812	(67,194)
Health and welfare	3,473,794	4,626,593	4,502,777	(123,816)
Education	21,837,036	22,025,036	21,303,773	(721,263)
Parks, recreation and cultural	1,309,999	1,409,106	1,341,683	(67,423)
Community development	1,411,815	1,483,592	1,116,302	(367,290)
Nondepartmental	735,751	154,431	131,692	(22,739)
Total expenditures	47,452,305	49,240,574	46,920,155	(2,320,419)
Excess of revenues over expenditures	12,815,316	11,895,936	14,631,054	2,735,118
Other financing sources (uses):				
Transfers in	1,420	1,420	1,247	(173)
Transfers out	(13,464,808)	(13,547,648)	(13,225,688)	321,960
Total other financing uses, net	(13,463,388)	(13,546,228)	(13,224,441)	321,787
Net change in fund balance	(648,072)	(1,650,292)	1,406,613	3,056,905
Fund balance, beginning	648,072	1,650,292	20,305,178	18,654,886
Fund balance, ending	$ -	$ -	$ 21,711,791	$ 21,711,791

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 12

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – VIRGINIA PUBLIC ASSISTANCE FUND
Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Over
	Original	Final	Amounts	(Under)
Revenues:				
Intergovernmental:				
Commonwealth	$ 1,059,551	$ 1,059,551	$ 955,843	$ (103,708)
Federal	1,657,247	1,657,247	1,559,709	(97,538)
Total revenues	2,716,798	2,716,798	2,515,552	(201,246)
Expenditures:				
Current:				
Health and welfare	3,693,906	3,732,972	3,218,152	(514,820)
Total expenditures	3,693,906	3,732,972	3,218,152	(514,820)
Deficiency of revenues under expenditures	(977,108)	(1,016,174)	(702,600)	313,574
Other financing sources:				
Transfers in	977,108	1,016,174	702,600	(313,574)
Total other financing sources	977,108	1,016,174	702,600	(313,574)
Net change in fund balance	-	-	-	-
Fund balance, beginning	-	-	131,538	131,538
Fund balance, ending	$ -	$ -	$ 131,538	$ 131,538

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 13

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

	Fiscal Year June 30,			
	2014	2015	2016	2017
Total pension liability:				
Service cost	$ 1,148,245	$ 1,191,381	$ 1,194,996	$ 1,261,670
Interest	1,972,952	2,101,059	2,153,120	2,284,225
Differences between expected and actual experience	-	(1,142,256)	(47,995)	(13,333)
Changes of assumptions	-	-	-	(54,821)
Benefit payments, including refunds of employee contributions	(1,150,418)	(1,431,783)	(1,381,134)	(1,473,239)
Net change in total pension liability	1,970,779	718,401	1,918,987	2,004,502
Total pension liability - beginning	28,760,241	30,731,020	31,449,421	33,368,408
Total pension liability - ending (a)	$ 30,731,020	$ 31,449,421	$ 33,368,408	$ 35,372,910
Plan fiduciary net position:				
Contributions - employer	$ 1,106,261	$ 1,034,535	$ 1,095,456	$ 938,728
Contributions - employee	458,769	455,835	484,814	495,845
Net investment income	3,692,589	1,254,114	511,485	3,581,431
Benefit payments, including refunds of employee contributions	(1,150,418)	(1,431,783)	(1,381,134)	(1,473,239)
Administrative expense	(19,343)	(16,855)	(17,413)	(20,329)
Other	195	(265)	(214)	(3,202)
Net change in plan fiduciary net position	4,088,053	1,295,581	692,994	3,519,234
Plan fiduciary net position - beginning	23,167,340	27,255,393	28,550,974	29,243,968
Plan fiduciary net position - ending (b)	$ 27,255,393	$ 28,550,974	$ 29,243,968	$ 32,763,202
County's net pension liability - ending (a) - (b)	$ 3,475,627	$ 2,898,447	$ 4,124,440	$ 2,609,708
Plan fiduciary net position as a percentage of the total pension liability	88.69%	90.78%	87.64%	92.62%
Covered payroll	$ 9,244,838	$ 9,114,846	$ 9,651,595	$ 9,997,103
County's net pension liability as a percentage of covered payroll	37.60%	31.80%	42.73%	26.10%

Note to Schedule:

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

EXHIBIT 14

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

	Fiscal Year June 30, 2014	2015	2016	2017
Total pension liability:				
Service cost	$ 321,928	$ 310,760	$ 297,799	$ 293,651
Interest	540,454	569,842	605,627	623,212
Differences between expected and actual experience	-	97,318	(172,117)	(131,538)
Changes of assumptions	-	-	-	(168,965)
Benefit payments, including refunds of employee contributions	(427,241)	(457,861)	(475,557)	(484,627)
Net change in total pension liability	435,141	520,059	255,752	131,733
Total pension liability - beginning	7,934,394	8,369,535	8,889,594	9,145,346
Total pension liability - ending (a)	$ 8,369,535	$ 8,889,594	$ 9,145,346	$ 9,277,079
Plan fiduciary net position:				
Contributions - employer	$ 234,379	$ 202,149	$ 203,974	$ 128,161
Contributions - employee	143,849	148,042	150,267	147,157
Net investment income	1,204,254	401,260	157,666	1,102,587
Benefit payments, including refunds of employee contributions	(427,241)	(457,861)	(475,557)	(484,627)
Administrative expense	(6,473)	(5,524)	(5,655)	(6,446)
Other	63	(87)	(67)	(977)
Net change in plan fiduciary net position	1,148,831	287,979	30,628	885,855
Plan fiduciary net position - beginning	7,643,447	8,792,278	9,080,257	9,110,885
Plan fiduciary net position - ending (b)	$ 8,792,278	$ 9,080,257	$ 9,110,885	$ 9,996,740
School Board non-professional net pension liability (asset) - ending (a)-(b)	$ (422,743)	$ (190,663)	$ 34,461	$ (719,661)
Plan fiduciary net position as a percentage of the total pension liability	105.05%	102.14%	99.62%	107.76%
Employer's covered payroll	$ 3,016,799	$ 2,972,779	$ 2,999,618	$ 2,891,467
School Board's non-professional net pension liability (asset) as a percentage of covered payroll	14.01%	6.41%	1.15%	-24.89%

Note to Schedule:

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

EXHIBIT 15

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

	Fiscal Year June 30,			
	2014	2015	2016	2017
Employer's proportion of the net pension liability	0.33419%	0.34548%	0.34137%	0.33345%
Employer's proportionate share of the net pension liability	$ 40,386,000	$ 43,483,000	$ 47,840,000	$ 41,008,000
Employer's covered payroll	24,437,220	25,600,000	25,238,400	25,886,794
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	165.26%	169.86%	189.55%	158.41%
Plan fiduciary net position as a percentage of the total pension liability	70.88%	70.68%	68.28%	72.92%

Note to Schedule:

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

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 16

SCHEDULE OF COUNTY CONTRIBUTIONS – VIRGINIA RETIREMENT SYSTEM

	Fiscal Year June 30,				
	2014	2015	2016	2017	2018
Contractually required contribution (CRC)	$ 1,049,288	$ 1,034,535	$ 1,095,456	$ 938,728	$ 1,005,995
Contributions in relation to the CRC	1,049,288	1,034,535	1,095,456	938,728	1,005,995
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Employer's covered payroll	$ 9,244,838	$ 9,114,846	$ 9,651,595	$ 9,997,103	$ 10,713,480
Contributions as a percentage of covered payroll	11.35%	11.35%	11.35%	9.39%	9.39%

Note to Schedule:

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

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 17

SCHEDULE OF SCHOOL BOARD NON-PROFESSIONAL CONTRIBUTIONS – VIRGINIA RETIREMENT SYSTEM

	Fiscal Year June 30,				
	2014	2015	2016	2017	2018
Contractually required contribution (CRC)	$ 205,264	$ 202,149	$ 203,974	$ 128,161	$ 127,842
Contributions in relation to the CRC	205,264	202,149	203,974	128,161	127,842
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Employer's covered payroll	$ 3,016,799	$ 2,972,779	$ 2,999,618	$ 2,891,467	$ 2,885,824
Contributions as a percentage of covered payroll	6.80%	6.80%	6.80%	4.43%	4.43%

Note to Schedule:

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

EXHIBIT 18

SCHEDULE OF SCHOOL BOARD PROFESSIONAL CONTRIBUTIONS – VIRGINIA RETIREMENT SYSTEM

	Fiscal Year June 30,				
	2014	2015	2016	2017	2018
Contractually required contribution (CRC)	$ 3,723,620	$ 3,712,000	$ 3,659,568	$ 3,795,004	$ 4,288,690
Contributions in relation to the CRC	3,723,620	3,712,000	3,659,568	3,795,004	4,288,690
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Employers covered payroll	$ 25,670,299	$ 25,600,000	$ 25,238,400	$ 25,886,794	$ 29,254,366
Contributions as a percentage of covered payroll	14.51%	14.50%	14.50%	14.66%	14.66%

Note to Schedule:

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

Note 1. Changes of Benefit Terms

There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 are not material.

Note 2. Changes of Assumptions

The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ended June 30, 2016:

County and School Board Non-Professional (Agent Plans)

General Employees

Mortality Rates (Pre-retirement, post-retirement, and disabled	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through nine years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Public Safety Employees with Hazardous Duty Benefits

Mortality Rates (Pre-retirement, post-retirement, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through nine years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decrease rate from 60% to 45%

School Board Professional (Cost-Sharing Plan)

Mortality Rates (Pre-retirement, post-retirement, and disabled	Update to a more current mortality table RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through nine years of experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

Note 3. Contractually Required Contributions

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

Methods and assumptions used to determine contribution rates:

County and School Board Non-Professional (Agent Plans)

General Employees

Mortality Rates: 15% of deaths are assumed to be service related.

– Pre-retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at age 81 and older with projected scale BB to 2020; males 95% of rates, females 105% of rates.

– Post-retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

– Post-disablement: RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

Public Safety Employees with Hazardous Duty Benefits

Mortality Rates: 45% of deaths are assumed to be service related.

– Pre-retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

– Post-retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

– Post-disablement: RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

School Board Professional Plan (Cost-Sharing Plan)

Mortality Rates:

– Pre-retirement: RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

– Post-retirement: RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

– Post-disablement: RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

EXHIBIT 19

SCHEDULE OF CHANGES IN THE COUNTY AND SCHOOL BOARD'S TOTAL OPEB LIABILITY AND RELATED RATIOS – MEDICAL INSURANCE PROGRAM

	Fiscal Year June 30, 2018
Total Medical Insurance OPEB liability:	
Service cost	$ 243,694
Interest	134,196
Changes in assumptions or other inputs	(114,730)
Benefit payments	(179,210)
Net change in total OPEB liability	83,950
Total Medical Insurance OPEB liability - beginning	3,679,307
County and School Board total Medical Insurance OPEB liability - ending	$ 3,763,257
Plan fiduciary net position as a percentage of the total Medical Insurance OPEB liability	0.00%
Covered payroll	$ 35,910,100
Total OPEB liability as a percentage of covered payroll	10.48%

Note to Schedule:

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

EXHIBIT 20

SCHEDULE OF COUNTY AND SCHOOL BOARD CONTRIBUTIONS – OPEB – MEDICAL INSURANCE PROGRAM

	Fiscal Year June 30, 2018
Contractually required contribution (CRC)	$ 179,210
Contributions in relation to the CRC	179,210
Contribution deficiency (excess)	$ -
Employer's covered payroll	$ 35,910,100
Contributions as a percentage of covered payroll	0.50%

Note to Schedule:

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

EXHIBIT 21

SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY – GROUP LIFE INSURANCE PROGRAM

		Fiscal Year June 30, 2017
County:		
Employer's proportion of the net GLI OPEB liability		0.05572%
Employer's proportionate share of the net GLI OPEB liability	$	839,000
Employer's covered payroll		10,276,923
Employer's proportionate share of the net GLI OPEB liability as a percentage of its covered payroll		8.16%
Plan fiduciary net position as a percentage of the total GLI OPEB liability		48.86%
School Board Non-Professional:		
Employer's proportion of the net GLI OPEB liability		0.01656%
Employer's proportionate share of the net GLI OPEB liability	$	249,000
Employer's covered payroll		3,055,396
Employer's proportionate share of the net GLI OPEB liability as a percentage of its covered payroll		8.15%
Plan fiduciary net position as a percentage of the total GLI OPEB liability		48.86%
School Board Professional:		
Employer's proportion of the net GLI OPEB liability		0.14254%
Employer's proportionate share of the net GLI OPEB liability	$	2,145,000
Employer's covered payroll		26,291,898
Employer's proportionate share of the net GLI OPEB liability as a percentage of its covered payroll		8.16%
Plan fiduciary net position as a percentage of the total GLI OPEB liability		48.86%

Note to Schedule:

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

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 22

SCHEDULE OF EMPLOYER CONTRIBUTIONS – OPEB – GROUP LIFE INSURANCE PROGRAM

	Fiscal Year June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
County:										
Contractually required contribution (CRC)	$ 23,766	$ 16,778	$ 21,740	$ 22,222	$ 42,989	$ 44,166	$ 47,896	$ 46,874	$ 46,874	$ 53,735
Contributions in relation to the CRC	23,766	16,778	21,740	22,222	42,989	44,166	47,896	46,874	46,874	53,735
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Employer's covered payroll	$ 8,802,379	$ 6,213,992	$ 7,764,435	$ 7,936,411	$ 8,955,946	$ 9,201,313	$ 9,978,361	$ 9,765,434	$ 10,276,923	$ 10,333,653
Contributions as a percentage of covered payroll	0.27%	0.27%	0.28%	0.28%	0.48%	0.48%	0.48%	0.48%	0.46%	0.52%
School Board Non-Professional:										
Contractually required contribution (CRC)	$ 7,645	$ 5,289	$ 7,474	$ 7,516	$ 13,885	$ 13,897	$ 14,565	$ 14,785	$ 15,888	$ 16,223
Contributions in relation to the CRC	7,645	5,289	7,474	7,516	13,885	13,897	14,565	14,785	15,888	16,223
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Employer's covered-employee payroll	$ 2,831,652	$ 1,958,796	$ 2,669,175	$ 2,684,261	$ 2,892,635	$ 2,895,194	$ 3,034,280	$ 3,080,256	$ 3,055,396	$ 3,119,777
Contributions as a percentage of covered payroll	0.27%	0.27%	0.28%	0.28%	0.48%	0.48%	0.48%	0.48%	0.52%	0.52%
School Board Professional:										
Contractually required contribution (CRC)	$ 65,838	$ 44,646	$ 61,757	$ 62,012	$ 116,924	$ 117,628	$ 123,395	$ 125,334	$ 136,718	$ 139,623
Contributions in relation to the CRC	65,838	44,646	61,757	62,012	116,924	117,628	123,395	125,334	136,718	139,623
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Employer's covered-employee payroll	$ 24,384,403	$ 16,535,424	$ 22,055,936	$ 22,146,968	$ 24,359,235	$ 24,505,926	$ 25,707,199	$ 26,111,292	$ 26,291,898	$ 26,850,508
Contributions as a percentage of covered payroll	0.27%	0.27%	0.28%	0.28%	0.48%	0.48%	0.48%	0.48%	0.52%	0.52%

See Notes to Required Supplementary Information – Other Postemployment Benefits.

EXHIBIT 23

SCHEDULE OF CHANGES IN THE SCHOOL BOARD PROFESSIONAL PLAN'S NET OPEB LIABILITY AND RELATED RATIOS – HEALTH INSURANCE CREDIT PROGRAM

	Fiscal Year June 30, 2017
Employer's proportion of the net HIC OPEB liability	0.33310%
Employer's proportionate share of the net HIC OPEB liability	$ 4,226,000
Employer's covered payroll	23,723,333
Employer's proportionate share of the net HIC OPEB liability as a percentage of its covered payroll	17.81%
Plan fiduciary net position as a percentage of the total HIC OPEB liability	7.04%

Note to Schedule:

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

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 24

SCHEDULE OF SCHOOL BOARD PROFESSIONAL PLAN CONTRIBUTIONS – OPEB – HEALTH INSURANCE CREDIT PROGRAM

	Fiscal Year June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Contractually required contribution (CRC)	$ 263,460	$ 171,354	$ 131,687	$ 132,834	$ 269,546	$ 271,275	$ 272,275	$ 275,899	$ 291,797	$ 330,091
Contributions in relation to the CRC	263,460	171,354	131,687	132,834	269,546	271,275	272,275	275,899	291,797	330,091
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Employer's covered payroll	$ 24,394,443	$ 16,476,309	$ 21,947,769	$ 22,139,032	$ 24,283,412	$ 24,439,147	$ 25,686,331	$ 26,028,220	$ 23,723,333	$ 26,836,725
Contributions as a percentage of covered payroll	1.08%	1.04%	0.60%	0.60%	1.11%	1.11%	1.06%	1.06%	1.23%	1.23%

See Notes to Required Supplementary Information – Other Postemployment Benefits.

Note 1. Medical Insurance Program

A. Changes of Benefit Terms

There have been no actuarially material changes to the Medical Insurance Program benefit provisions since the prior actuarial valuation.

B. Changes of Assumptions

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following is the discount rate used for the period presented:

2018	3.87%

Note 2. Group Life Insurance Program

A. Changes of Benefit Terms

There have been no actuarially material changes to the Virginia Retirement System benefit provisions since the prior actuarial valuation.

B. Changes of Assumptions

The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the Virginia Retirement System for the four-year period ended June 30, 2016:

School Board Professional

Teachers

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and changed final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year through nine years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

Note 2. Group Life Insurance Program (Continued)

B. Changes of Assumptions (Continued)

County and School Board Non-Professional Plans

General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Note 3. Health Insurance Credit Program

A. Changes of Benefit Terms

There have been no actuarially material changes to the Virginia Retirement System benefit provisions since the prior actuarial valuation.

B. Changes of Assumptions

The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the Virginia Retirement System for the four-year period ended June 30, 2016:

School Board Professional Plan

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and changed final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year through nine years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

SUPPLEMENTARY INFORMATION

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 25

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2018

	Asset Forfeiture	Law Library	Totals
ASSETS			
Cash and cash equivalents	$ 57,640	$ 26,266	$ 83,906
Total assets	$ 57,640	$ 26,266	$ 83,906
LIABILITIES			
Accounts payable	$ 26,873	$ 1,102	$ 27,975
Total liabilities	26,873	1,102	27,975
FUND BALANCES			
Committed	30,767	25,164	55,931
Total fund balances	30,767	25,164	55,931
Total liabilities and fund balances	$ 57,640	$ 26,266	$ 83,906

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 26

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
Year Ended June 30, 2018

	Asset Forfeiture	Law Library	Totals
Revenues:			
Use of money and property	$ 254	$ -	$ 254
Charges for services	-	7,123	7,123
Intergovernmental:			
Commonwealth	16,617	-	16,617
Total revenues	16,871	7,123	23,994
Expenditures:			
Current:			
Judicial administration	-	9,070	9,070
Public safety	10,812	-	10,812
Total expenditures	10,812	9,070	19,882
Excess (deficiency) of revenues over (under) expenditures	6,059	(1,947)	4,112
Other financing uses:			
Transfers out	-	(1,247)	(1,247)
Total other financing uses	-	(1,247)	(1,247)
Net change in fund balances	6,059	(3,194)	2,865
Fund balance, beginning	24,708	28,358	53,066
Fund balance, ending	$ 30,767	$ 25,164	$ 55,931

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 27

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS
Year Ended June 30, 2018

	Asset Forfeiture Fund				Law Library Fund			
	Budgeted Amounts			Variance with Final Budget Over	Budgeted Amounts			Variance with Final Budget Over
	Original	Final	Actual	(Under)	Original	Final	Actual	(Under)
Revenues:								
Use of money and property	$ -	$ -	$ 254	$ 254	$ -	$ -	$ -	$ -
Charges for services	-	-	-	-	6,000	6,000	7,123	1,123
Intergovernmental:								
Commonwealth	-	16,618	16,617	(1)	-	-	-	-
Total revenues	-	16,618	16,871	253	6,000	6,000	7,123	1,123
Expenditures:								
Current:								
Judicial administration	-	-	-	-	14,111	14,111	9,070	(5,041)
Public safety	-	41,327	10,812	(30,515)	-	-	-	-
Total expenditures	-	41,327	10,812	(30,515)	14,111	14,111	9,070	(5,041)
Excess (deficiency) of revenues over (under) expenditures	-	(24,709)	6,059	30,768	(8,111)	(8,111)	(1,947)	6,164
Other financing uses:								
Transfers out	-	-	-	-	(1,420)	(1,420)	(1,247)	173
Total other financing uses	-	-	-	-	(1,420)	(1,420)	(1,247)	173
Net change in fund balances	$ -	$ (24,709)	$ 6,059	$ 30,768	$ (9,531)	$ (9,531)	$ (3,194)	$ 6,337

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 28

COMBINING STATEMENT OF NET POSITION
AGENCY FUNDS
June 30, 2018

	Special Welfare	Rapidan Hills Limited Partnership	Commonwealth	Bond Escrow Agency	Parks and Recreation Foundation	Totals
ASSETS						
Cash and cash equivalents	$ 56,982	$ 7,837	$ 60,233	$ 668,294	$ 1,982	$ 795,328
Total assets	$ 56,982	$ 7,837	$ 60,233	$ 668,294	$ 1,982	$ 795,328
LIABILITIES						
Accounts payable	$ -	$ -	$ 2,074	$ -	$ -	$ 2,074
Amounts held for others	56,982	7,837	58,159	668,294	1,982	793,254
Total liabilities	$ 56,982	$ 7,837	$ 60,233	$ 668,294	$ 1,982	$ 795,328

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 29
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COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
Year Ended June 30, 2018

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
SPECIAL WELFARE				
ASSETS				
Cash and cash equivalents	$ 43,802	$ 88,727	$ 75,547	$ 56,982
Total assets	$ 43,802	$ 88,727	$ 75,547	$ 56,982
LIABILITIES				
Amounts held for others	$ 43,802	$ 88,727	$ 75,547	$ 56,982
Total liabilities	$ 43,802	$ 88,727	$ 75,547	$ 56,982
RAPIDAN HILLS LIMITED PARTNERSHIP				
ASSETS				
Cash and cash equivalents	$ 7,837	$ -	$ -	$ 7,837
Total assets	$ 7,837	$ -	$ -	$ 7,837
LIABILITIES				
Amounts held for others	$ 7,837	$ -	$ -	$ 7,837
Total liabilities	$ 7,837	$ -	$ -	$ 7,837
COMMONWEALTH				
ASSETS				
Cash and cash equivalents	$ 79,651	$ 1,439,728	$ 1,459,146	$ 60,233
Total assets	$ 79,651	$ 1,439,728	$ 1,459,146	$ 60,233
LIABILITIES				
Accounts payable	$ 2,112	$ 2,074	$ 2,112	$ 2,074
Amounts held for others	77,539	1,437,654	1,457,034	58,159
Total liabilities	$ 79,651	$ 1,439,728	$ 1,459,146	$ 60,233

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 29
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COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
Year Ended June 30, 2018

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
BOND ESCROW AGENCY				
ASSETS				
Cash and cash equivalents	$ 548,785	$ 340,133	$ 220,624	$ 668,294
Total assets	$ 548,785	$ 340,133	$ 220,624	$ 668,294
LIABILITIES				
Accounts payable	$ 4,000	$ -	$ 4,000	$ -
Amounts held for others	544,785	340,133	216,624	668,294
Total liabilities	$ 548,785	$ 340,133	$ 220,624	$ 668,294
PARKS AND RECREATION FOUNDATION				
ASSETS				
Cash and cash equivalents	$ 1,982	$ -	$ -	$ 1,982
Total assets	$ 1,982	$ -	$ -	$ 1,982
LIABILITIES				
Amounts held for others	$ 1,982	$ -	$ -	$ 1,982
Total liabilities	$ 1,982	$ -	$ -	$ 1,982
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	$ 682,057	$ 1,868,588	$ 1,755,317	$ 795,328
Total assets	$ 682,057	$ 1,868,588	$ 1,755,317	$ 795,328
LIABILITIES				
Accounts payable	$ 6,112	$ 2,074	$ 6,112	$ 2,074
Amounts held for others	675,945	1,866,514	1,749,205	793,254
Total liabilities	$ 682,057	$ 1,868,588	$ 1,755,317	$ 795,328

DISCRETELY PRESENTED COMPONENT UNIT –
SCHOOL BOARD

Major Governmental Funds

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

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

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

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

Nonmajor Governmental Funds

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

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

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

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 30

COMBINING BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
June 30, 2018

	School Operating Fund	School Textbook Adoptions Fund	Adult Education Fund	School Capital Projects Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	$ 2,612,548	$ 1,403,399	$ 1,250	$ 2,081,212	$ 526,700	$ 6,625,109
Investments	646,654	331,500	-	-	-	978,154
Accounts receivable, net	34,937	-	373	-	531	35,841
Due from other funds	126,246	-	-	-	-	126,246
Due from other governments	1,183,792	-	21,834	-	203,745	1,409,371
Total assets	$ 4,604,177	$ 1,734,899	$ 23,457	$ 2,081,212	$ 730,976	$ 9,174,721
LIABILITIES						
Due to other funds	-	-	23,430	-	102,816	126,246
Accounts payable	622,633	-	8,059	282,485	74,644	987,821
Deferred revenue			-			-
Accrued liabilities	3,984,877	-	15,830	-	224,811	4,225,518
Total liabilities	4,607,510	-	47,319	282,485	402,271	5,339,585
FUND BALANCES						
Assigned	-	1,734,899	-	1,798,727	329,079	3,862,705
Unassigned	(3,333)	-	(23,862)	-	(374)	(27,569)
Total fund balances (deficit)	(3,333)	1,734,899	(23,862)	1,798,727	328,705	3,835,136
Total liabilities and fund balances	$ 4,604,177	$ 1,734,899	$ 23,457	$ 2,081,212	$ 730,976	$ 9,174,721

Total fund balances		$ 3,835,136
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.		
Governmental capital assets	$ 127,749,804	
Less accumulated depreciation	(67,933,642)	
Net capital assets		59,816,162
Deferred outflows of resources represents a consumption of net position that applies to a future period and are not recognized as deferred outflows of resources in the governmental funds.		
Pension plan	5,722,532	
Other postemployment benefits	485,936	
		6,208,468
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		
Capital leases	(7,072,229)	
Compensated absences	(1,456,942)	
Accrued interest payable	(95,906)	
Other postemployment benefits	(9,444,816)	
Net pension liability	(40,288,339)	
		(58,358,232)
Deferred inflows of resources represents an acquisition of net position that applies applies to a future period and are not recognized as deferred inflows of resources in the governmental funds.		
Pension plan	(6,192,473)	
Other postemployment benefits	(524,831)	
		(6,717,304)
Net position of governmental activities		$ 4,784,230

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 31

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
Year Ended June 30, 2018

	School Operating Fund	School Textbook Adoptions Fund	Adult Education Fund	School Capital Projects Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
Use of money and property	$ -	$ -	$ -	$ -	$ 1,263	$ 1,263
Charges for services	6,637	-	25,972	-	1,052,689	1,085,298
Miscellaneous	877,999	-	-	291,473	-	1,169,472
Appropriation from primary government	20,740,356	-	-	1,330,768	-	22,071,124
Intergovernmental:						
Commonwealth	27,182,085	-	198,855	-	45,992	27,426,932
Federal	2,542,094	-	96,758	-	3,081,471	5,720,323
Total revenues	51,349,171	-	321,585	1,622,241	4,181,415	57,474,412
Expenditures:						
Current:						
Education	50,829,662	183,669	341,598	-	4,161,565	55,516,494
Capital outlay	-	-	-	2,781,665	-	2,781,665
Debt service:						
Principal	629,493	-	-	-	-	629,493
Interest	169,930	-	-	-	-	169,930
Total expenditures	51,629,085	183,669	341,598	2,781,665	4,161,565	59,097,582
Excess (deficiency) of revenues over (under) expenditures	(279,914)	(183,669)	(20,013)	(1,159,424)	19,850	(1,623,170)
Other financing sources (uses):						
Issuance of capital lease	1,147,747	-	-	-	-	1,147,747
Transfers in	-	520,969	4,314	345,249	634	871,166
Transfers out	(871,166)	-	-	-	-	(871,166)
Total other financing sources, net	276,581	520,969	4,314	345,249	634	1,147,747
Net change in fund balances	(3,333)	337,300	(15,699)	(814,175)	20,484	(475,423)
Fund balances (deficit), beginning	-	1,397,599	(8,163)	2,612,902	308,221	4,310,559
Fund balances (deficit), ending	$ (3,333)	$ 1,734,899	$ (23,862)	$ 1,798,727	$ 328,705	$ 3,835,136

Net change in fund balances		$ (475,423)
Reconciliation of amounts reported for governmental activities in the Statement of Activities:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which depreciation and amortization was more than capital outlays in the current period.		
Expenditure for capital assets	$ 3,556,007	
Less depreciation and amortization expense	(3,699,832)	
Excess of depreciation and amortization over capital outlays		(143,825)
Net transfer of joint tenancy capital assets from Primary Government to the Component Unit		4,454,067
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) is to decrease net position.		(38,321)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Issuance of capital lease	(1,147,747)	
Principal repayments:	629,493	
Capital lease		(518,254)
Deferred outflows of resources		
Pension plan contributions subsequent to measurement date	4,416,532	
Other postemployment benefit contributions subsequent to measurement date	485,937	
		4,902,469
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Accrued interest	(37,522)	
Compensated absences	(93,422)	
Other postemployment benefits expense	2,395,845	
Pension expense	(2,836,616)	
		(571,715)
Change in net position of governmental activities		$ 7,608,998

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 32
Page 1

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – GOVERNMENTAL FUNDS
DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
Year Ended June 30, 2018

	School Operating Fund				School Textbook Adoptions Fund			
	Budgeted Amounts			Variance with Final Budget Over	Budgeted Amounts			Variance with Final Budget Over
	Original	Final	Actual	(Under)	Original	Final	Actual	(Under)
Revenues:								
Charges for services	$ 14,000	$ 14,000	$ 6,637	$ (7,363)	$ -	$ -	$ -	$ -
Miscellaneous	816,321	896,958	877,999	(18,959)	-	-	-	-
Appropriation from primary government	21,270,036	21,461,619	20,740,356	(721,263)	-	-	-	-
Intergovernmental:								
Commonwealth	27,281,248	27,300,878	27,182,085	(118,793)	-	-	-	-
Federal	2,477,184	2,643,074	2,542,094	(100,980)	-	-	-	-
Total revenues	51,858,789	52,316,529	51,349,171	(967,358)	-	-	-	-
Expenditures:								
Current:								
Education	50,340,574	50,641,731	50,829,662	187,931	675,000	675,000	183,669	(491,331)
Debt service:								
Principal	776,614	799,614	629,493	(170,121)	-	-	-	-
Interest	-	-	169,930	169,930	-	-	-	-
Total expenditures	51,117,188	51,441,345	51,629,085	187,740	675,000	675,000	183,669	(491,331)
Excess (deficiency) of revenues over (under) expenditures	741,601	875,184	(279,914)	(1,155,098)	(675,000)	(675,000)	(183,669)	491,331
Other financing sources (uses):								
Issuance of capital lease	-	-	1,147,747	1,147,747	-	-	-	-
Transfers in	-	-	-	-	520,247	520,247	520,969	722
Transfers out	(741,601)	(875,184)	(871,166)	4,018	-	-	-	-
Total other financing sources (uses), net	(741,601)	(875,184)	276,581	1,151,765	520,247	520,247	520,969	722
Net change in fund balances	$ -	$ -	$ (3,333)	$ (3,333)	$ (154,753)	$ (154,753)	$ 337,300	$ 492,053

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 32
Page 2

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – GOVERNMENTAL FUNDS
DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
Year Ended June 30, 2018

	Adult Education Fund			
	Budgeted Amounts			Variance with Final Budget Over
	Original	Final	Actual	(Under)
Revenues:				
Charges for services	$ 27,707	$ 27,707	$ 25,972	$ (1,735)
Miscellaneous	-	-	-	-
Appropriation from primary government	-	-	-	-
Intergovernmental:				
Commonwealth	148,235	198,235	198,855	620
Federal	239,173	239,173	96,758	(142,415)
Total revenues	415,115	465,115	321,585	(143,530)
Expenditures:				
Current:				
Education	424,803	474,803	341,598	(133,205)
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	424,803	474,803	341,598	(133,205)
Deficiency of revenues under expenses	(9,688)	(9,688)	(20,013)	(10,325)
Other financing sources:				
Issuance of capital lease	-	-	-	-
Transfers in	9,688	9,688	4,314	(5,374)
Transfers out	-	-	-	-
Total other financing sources	9,688	9,688	4,314	(5,374)
Net change in fund balances	$ -	$ -	$ (15,699)	$ (15,699)

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 33

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
June 30, 2018

	School Cafeteria Fund	Employee Childcare Fund	Head Start Fund	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	$ 459,453	$ 67,247	$ -	$ 526,700
Accounts receivable, net	531	-	-	531
Due from other governmental units	-	-	203,745	203,745
Total assets	$ 459,984	$ 67,247	$ 203,745	$ 730,976
LIABILITIES				
Due to other funds	$ -	$ -	$ 102,816	$ 102,816
Accounts payable	63,503	-	11,141	74,644
Accrued liabilities	128,527	6,122	90,162	224,811
Total liabilities	192,030	6,122	204,119	402,271
FUND BALANCES				
Assigned	267,954	61,125	-	329,079
Unassigned	-	-	(374)	(374)
Total fund balances (deficit)	267,954	61,125	(374)	328,705
Total liabilities and fund balances	$ 459,984	$ 67,247	$ 203,745	$ 730,976

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 34

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – NONMAJOR SPECIAL REVENUE FUNDS DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD Year Ended June 30, 2018

	School Cafeteria Fund	Employee Childcare Fund	Head Start Fund	Total Nonmajor Governmental Funds
Revenues:				
Use of money and property	$ 1,263	$ -	$ -	$ 1,263
Charges for services	720,460	332,229	-	1,052,689
Intergovernmental:				
Commonwealth	45,992	-	-	45,992
Federal	1,460,478	-	1,620,993	3,081,471
Total revenues	2,228,193	332,229	1,620,993	4,181,415
Expenditures:				
Current:				
Education	2,178,975	324,973	1,657,617	4,161,565
Total expenditures	2,178,975	324,973	1,657,617	4,161,565
Excess (deficiency) of revenues over (under) expenditures	49,218	7,256	(36,624)	19,850
Other financing sources:				
Transfers in	634	-	-	634
Total other financing sources	634	-	-	634
Net change in fund balances	49,852	7,256	(36,624)	20,484
Fund balances, beginning	218,102	53,869	36,250	308,221
Fund balances (deficit), ending	$ 267,954	$ 61,125	$ (374)	$ 328,705

DISCRETELY PRESENTED COMPONENT UNIT – ECONOMIC DEVELOPMENT AUTHORITY

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 35

BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT –
ECONOMIC DEVELOPMENT AUTHORITY
June 30, 2018

ASSETS	
Cash and cash equivalents	$ 706,575
Total assets	$ 706,575
LIABILITIES	
Accounts payable	$ 7,321
Total liabilities	7,321
FUND BALANCE	
Assigned	699,254
Total fund balance	699,254
Total liabilities and fund balance	$ 706,575

Fund balance	$ 699,254
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.	1,152,529
Net position of governmental activities	$ 1,851,783

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 36

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE – DISCRETELY PRESENTED COMPONENT UNIT – ECONOMIC DEVELOPMENT AUTHORITY
Year Ended June 30, 2018

Revenues:	
Revenue from the use of money	$ 7,923
Charges for services	11,375
Other	69,988
Appropriation from primary government	208,517
Total revenues	297,803
Expenditures:	
Current:	
Community development	691,299
Total expenditures	691,299
Net change in fund balance	(393,496)
Fund balance, beginning	1,092,750
Fund balance, ending	$ 699,254

Net change in fund balance	$ (393,496)
Reconciliation of amounts reported for governmental activities in the Statement of Activities:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceeded the depreciation and amortization in the current period.	508,858
Change in net position of governmental activities	$ 115,362

DISCRETELY PRESENTED COMPONENT UNIT – BROADBAND AUTHORITY

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 37

STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNIT – BROADBAND AUTHORITY
June 30, 2018

ASSETS	
Current assets:	
Cash and cash equivalents	$ 378,762
Total current assets	378,762
Noncurrent assets:	
Capital assets:	
Construction in progress	34,799
Total capital assets	34,799
Total noncurrent assets	34,799
Total assets	413,561
LIABILITIES	
Liabilities:	
Accounts payable	5,616
Total liabilities	5,616
NET POSITION	
Net investment in capital assets	34,799
Unrestricted	373,146
Total net position	$ 407,945

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 38

STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
DISCRETELY PRESENTED COMPONENT UNIT – BROADBAND AUTHORITY
Year Ended June 30, 2018

Operating revenues:	
Appropriation from primary government	$ 237,879
Total operating revenues	237,879
Operating expenses:	
Other charges	153
Total operating expenses	153
Change in net position	237,726
Net position, beginning	170,219
Net position, ending	$ 407,945

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 39

STATEMENT OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNIT – BROADBAND AUTHORITY
Year Ended June 30, 2018

Cash flows from operating activities:		
Payments to suppliers for goods and services	$	5,463
Appropriation from primary government		237,879
Net cash provided by operating activities		243,342
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets		(19,502)
Net cash used in capital and related financing activities		(19,502)
Net change in cash and cash equivalents		223,840
Cash and cash equivalents:		
Beginning		154,922
Ending	$	378,762
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$	237,726
Adjustments to reconcile operating income to net cash provided by operating activities:		
Changes in assets and liabilities:		
Increase in:		
Accounts payable		5,616
Net cash provided by operating activities	$	243,342

STATISTICAL SECTION

COUNTY OF ORANGE, VIRGINIA

STATISTICAL SECTION
TABLE OF CONTENTS

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

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

COUNTY OF ORANGE, VIRGINIA

TABLE 1

NET POSITION BY COMPONENT
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

	Fiscal Year June 30,									
	2018[2]	2017	2016	2015 [1]	2014	2013	2012	2011	2010	2009
Governmental activities:										
Net investment in capital assets	$ (18,396,119)	$ (23,720,203)	$ 3,005,800	$ 3,496,972	$ 2,016,519	$ 1,237,313	$ 2,422,835	$ 11,254,062	$ 6,973,273	$ 5,816,416
Restricted	25,090,835	27,106,855	534,309	155,000	155,000	155,000	-	-	-	-
Unrestricted	23,000,595	23,551,304	23,018,630	21,071,507	21,542,237	19,545,539	20,175,732	19,290,317	19,826,534	21,206,936
Total governmental activities net position	29,695,311	26,937,956	26,558,739	24,723,479	23,713,756	20,937,852	22,598,567	30,544,379	26,799,807	27,023,352
Business-type activities:										
Net investment in capital assets	13,346,905	13,314,101	13,779,641	14,347,875	14,827,910	15,240,183	12,913,544	11,649,754	9,873,370	9,337,495
Unrestricted	932,632	1,152,693	710,862	475,783	350,025	616,845	2,018,586	2,666,307	2,342,618	1,355,176
Total business-type activities net position	14,279,537	14,466,794	14,490,503	14,823,658	15,177,935	15,857,028	14,932,130	14,316,061	12,215,988	10,692,671
Primary government:										
Net investment in capital assets	(5,049,214)	(10,406,102)	16,785,441	17,844,847	16,844,429	16,477,496	15,336,379	22,903,816	16,846,643	15,153,911
Restricted	25,090,835	27,106,855	534,309	155,000	155,000	155,000	-	-	-	-
Unrestricted	23,933,227	24,703,997	23,729,492	21,547,290	21,892,262	20,162,384	22,194,318	21,956,624	22,169,152	22,562,112
Total primary government net position	$ 43,974,848	$ 41,404,750	$ 41,049,242	$ 39,547,137	$ 38,891,691	$ 36,794,880	$ 37,530,697	$ 44,860,440	$ 39,015,795	$ 37,716,023

Note:

[1] GASB Statement No. 68 was adopted in fiscal year 2015.

[2] GASB Statement No. 75 was adopted in fiscal year 2018.

COUNTY OF ORANGE, VIRGINIA

TABLE 2
Page 1

CHANGES IN NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

	Fiscal Year June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Primary government:										
Expenses:										
Governmental activities:										
General government	$ 3,692,202	$ 4,364,352	$ 3,697,143	$ 3,593,666	$ 3,179,303	$ 3,251,588	$ 3,147,031	$ 3,568,522	$ 4,859,717	$ 5,107,926
Judicial administration	1,825,881	1,718,583	1,650,036	1,614,274	1,550,961	1,555,502	1,591,338	1,496,249	1,320,372	1,471,735
Public safety	13,133,990	12,337,219	11,957,728	11,256,292	10,514,385	10,415,818	9,801,548	9,755,361	10,017,491	9,951,868
Public works	1,210,318	1,103,311	878,661	862,112	842,455	920,361	790,439	642,287	679,892	800,019
Health and welfare	7,569,465	7,489,593	6,060,296	5,910,475	5,661,805	5,677,690	5,981,549	6,471,864	5,235,344	4,579,632
Education	26,525,191	26,245,512	26,187,147	24,906,681	24,173,025	24,769,534	28,150,265	19,494,387	19,675,748	20,716,819
Parks, recreation, and cultural	1,331,700	1,301,536	1,285,193	1,280,110	1,232,679	1,217,282	1,255,820	1,074,565	1,645,909	1,766,622
Community development	1,088,595	1,200,104	1,432,001	931,565	1,506,917	1,025,612	1,027,386	1,013,298	1,506,794	1,542,893
Interest	3,571,815	3,045,826	3,139,207	3,444,343	3,655,244	3,928,975	4,124,114	4,388,109	3,749,091	2,629,414
Total governmental activities expense	59,949,157	58,806,036	56,287,412	53,799,518	52,316,774	52,762,362	55,869,490	47,904,642	48,690,358	48,566,928
Business-type activities:										
Airport	808,725	764,063	777,557	872,700	983,900	916,700	898,525	840,425	733,545	548,514
Landfill	2,663,521	2,533,327	2,410,358	2,827,009	2,848,400	2,276,549	2,111,304	3,347,359	2,246,931	2,616,278
Total business-type activities expense	3,472,246	3,297,390	3,187,915	3,699,709	3,832,300	3,193,249	3,009,829	4,187,784	2,980,476	3,164,792
Total primary government expense	63,421,403	62,103,426	59,475,327	57,499,227	56,149,074	55,955,611	58,879,319	52,092,426	51,670,834	51,731,720
Program revenue:										
Governmental activities:										
Charges for services:										
General government	888,615	1,074,534	918,897	1,011,672	1,093,314	1,055,846	1,100,931	1,771,477	-	-
Judicial administration	108,811	126,036	349,355	239,503	364,960	291,311	219,673	340,045	68,202	31,787
Public safety	1,848,484	1,853,647	1,580,451	627,575	1,504,002	1,326,899	1,606,510	1,317,980	1,512,408	1,267,967
Public works	11,369	12,469	-	-	-	-	-	-	-	166,136
Health and welfare	400,199	401,912	27,950	2,455	2,523	-	-	-	-	-
Education	-	-	346,051	7,030	222,483	170,955	185,123	271,022	-	-
Parks, recreation, and cultural	110,268	111,628	122,294	1,451,794	121,074	156,424	154,866	134,921	432,304	522,889
Community development	87,786	50,548	344,197	-	-	-	-	-	505	-
Operating grants and contributions	7,366,901	6,848,749	6,500,636	5,953,895	5,760,431	5,198,455	5,836,506	7,393,931	6,034,820	5,791,917
Capital grants and contributions	1,499,023	122,036	88,320	-	540,000	-	-	47,546	625,490	661,450
Total governmental activities program revenue	12,321,456	10,601,559	10,278,151	9,293,924	9,608,787	8,199,890	9,103,609	11,276,922	8,673,729	8,442,146
Business-type activities:										
Charges for services:										
Airport	294,252	276,484	306,299	379,093	429,389	422,685	470,543	417,480	307,756	223,071
Landfill	465,082	502,233	386,607	286,516	326,146	286,168	333,339	309,195	255,400	317,267
Operating grants and contributions	281,678	75,300	9,207	16,995	9,115	24,513	9,296	11,568	538,546	965,798
Capital grants and contributions	-	-	30,865	298,068	553,624	475,995	605,634	1,144,325	-	-
Total business-type activities program revenue	1,041,012	854,017	732,978	980,672	1,318,274	1,209,361	1,418,812	1,882,568	1,101,702	1,506,136
Total primary government program revenue	13,362,468	11,455,576	11,011,129	10,274,596	10,927,061	9,409,251	10,522,421	13,159,490	9,775,431	9,948,282

COUNTY OF ORANGE, VIRGINIA

TABLE 2
Page 2

CHANGES IN NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

Primary government:										
Net expense:										
Governmental activities	$ (47,627,701)	$ (48,204,477)	$ (46,009,261)	$ (44,505,594)	$ (42,707,987)	$ (44,562,472)	$ (46,765,881)	$ (36,627,720)	$ (40,016,629)	$ (40,124,782)
Business-type activities	(2,431,234)	(2,443,373)	(2,454,937)	(2,719,037)	(2,514,026)	(1,983,888)	(1,591,017)	(2,305,216)	(1,878,774)	(1,658,656)
Total primary government net expense	(50,058,935)	(50,647,850)	(48,464,198)	(47,224,631)	(45,222,013)	(46,546,360)	(48,356,898)	(38,932,936)	(41,895,403)	(41,783,438)
General revenues and other changes in net position:										
Governmental activities:										
Taxes										
Property taxes	41,316,740	40,829,686	39,853,041	39,884,990	37,715,684	35,876,658	33,228,086	32,155,490	31,599,974	30,690,664
Local sales and use	3,358,475	3,304,851	2,795,044	2,621,812	2,249,569	1,980,974	1,867,506	1,740,887	1,679,256	1,825,239
Consumers' utility taxes	598,492	591,472	573,344	1,982,022	2,004,316	2,035,551	2,024,767	2,086,617	2,050,682	2,091,128
Consumption taxes	102,257	96,060	94,162	100,354	99,172	96,389	89,117	101,613	90,711	91,249
Motor vehicle license taxes	1,051,297	1,093,406	1,002,943	951,035	960,387	914,527	662,916	652,932	677,609	662,465
Taxes on recordation and wills	538,195	549,880	450,282	446,202	434,981	460,522	379,057	381,132	455,274	471,439
Restaurant food taxes	766,423	759,517	769,294	742,794	713,125	646,602	631,748	577,864	510,629	514,019
Other local taxes	228,175	211,802	204,363	159,310	137,535	207,100	143,343	152,660	115,720	83,338
Use of money and property	746,102	352,115	203,645	120,969	133,126	192,056	234,352	354,819	1,974,347	1,006,373
Miscellaneous	473,033	483,069	558,478	223,249	349,951	304,803	294,343	491,702	580,009	690,938
Grants and contributions not	4,004,036	4,249,440	4,265,161	2,871,718	2,878,322	3,038,845	2,948,932	2,945,313	2,978,545	2,974,228
Special items	-	(1,540,000)	-	-	-	-	-	-	-	-
Transfers	(2,217,721)	(2,397,604)	(2,114,011)	(2,479,579)	(2,034,892)	(2,852,270)	(2,145,373)	(3,890,516)	(3,295,789)	(3,201,956)
Total governmental activities	50,965,504	48,583,694	48,655,746	47,624,876	45,641,276	42,901,757	40,358,794	37,750,513	39,416,967	37,899,124
Business-type activities:										
Use of money and property	-	-	-	-	-	-	-	-	-	40,775
Miscellaneous	34,700	22,060	7,771	57,553	40,902	56,516	61,713	48,104	106,302	5,068
Transfers	2,217,721	2,397,604	2,114,011	2,479,579	2,034,892	2,852,270	2,145,373	3,890,516	3,295,789	3,201,956
Total business-type activities	2,252,421	2,419,664	2,121,782	2,537,132	2,075,794	2,908,786	2,207,086	3,938,620	3,402,091	3,247,799
Total primary government	53,217,925	51,003,358	50,777,528	50,162,008	47,717,070	45,810,543	42,565,880	41,689,133	42,819,058	41,146,923
Changes in net position:										
Governmental activities	3,337,803	379,217	2,646,485	3,119,282	2,933,289	(1,660,715)	(6,407,087)	1,122,793	(599,662)	(2,225,658)
Business-type activities	(178,813)	(23,709)	(333,155)	(181,905)	(438,232)	924,898	616,069	1,633,404	1,523,317	1,589,143
Total primary government	$ 3,158,990	$ 355,508	$ 2,313,330	$ 2,937,377	$ 2,495,057	$ (735,817)	$ (5,791,018)	$ 2,756,197	$ 923,655	$ (636,515)

COUNTY OF ORANGE, VIRGINIA

TABLE 3

FUND BALANCES – GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

	Fiscal Year June 30,							
	2018	2017	2016	2015	2014	2013	2012	2011
General Fund:								
Nonspendable	$ 15,000	$ 15,000	$ 15,000	$ -	$ -	$ -	$ -	$ -
Restricted	-	-	379,309	-	-	-	-	-
Committed	-	-	71,125	71,125	71,125	71,125	144,000	-
Assigned	964,081	906,601	412,102	1,548,826	3,096	82,564	1,743,994	2,488,194
Unassigned	20,732,710	19,383,577	22,153,299	20,658,342	19,919,081	18,297,201	17,583,447	17,101,685
Total general fund	$ 21,711,791	$ 20,305,178	$ 23,030,835	$ 22,278,293	$ 19,993,302	$ 18,450,890	$ 19,471,441	$ 19,589,879
All other governmental funds:								
Restricted	$ 25,090,835	$ 27,106,855	$ 155,000	$ 155,000	$ 448,020	$ 714,249	$ -	$ 2,387,117
Committed	187,469	861,954	602,287	206,317	187,444	252,351	289,624	211,209
Assigned	3,549,394	5,463,478	2,787,947	2,170,681	2,032,623	1,963,019	1,747,670	2,383,275
Unassigned	-	-	-	-	-	-	-	(107,010)
Total all other governmental funds	$ 28,827,698	$ 33,432,287	$ 3,545,234	$ 2,531,998	$ 2,668,087	$ 2,929,619	$ 2,037,294	$ 4,874,591

	Fiscal Year June 30,	
	2010	2009
General Fund:		
Unreserved	$ 17,204,546	$ 17,204,546
Total general fund	$ 17,204,546	$ 17,204,546
All other governmental funds:		
Reserved	$ 10,052,344	$ 34,667,985
Unreserved, reported in:		
Special revenue fund	487,893	400,645
Debt services fund	489,312	1,209,197
Capital projects fund	2,810,885	3,699,353
Total all other governmental funds	$ 13,840,434	$ 39,977,180

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

COUNTY OF ORANGE, VIRGINIA

TABLE 4

CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

	Fiscal Year June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenues:										
General property taxes	$ 41,243,180	$ 40,875,523	$ 40,315,480	$ 39,724,465	$ 37,312,103	$ 35,560,361	$ 33,241,812	$ 32,506,482	$ 31,547,517	$ 30,505,130
Other local taxes	6,499,306	6,511,988	5,889,432	7,003,529	6,599,085	6,341,665	5,798,454	5,693,705	5,579,881	5,738,877
Permits, privilege fees, and regulatory licenses	489,088	439,084	359,171	307,295	321,965	354,996	304,007	225,857	171,857	178,415
Fines and forfeitures	188,953	223,539	219,125	32,820	96,143	17,964	337	50,182	38,798	260
Use of money and property	746,102	352,115	203,645	120,969	133,126	192,056	234,352	354,819	1,974,347	1,006,373
Charges for services	1,979,135	1,993,508	1,991,804	2,007,624	1,834,792	1,703,656	1,626,213	1,787,930	1,802,764	1,810,104
Miscellaneous	474,439	485,784	557,947	223,249	349,951	304,803	294,343	491,702	580,009	720,399
Recovered costs	1,537,172	1,082,720	1,602,324	1,596,671	1,658,315	1,595,849	1,620,931	2,266,476	214,018	163,170
Intergovernmental:										
Commonwealth	9,665,292	9,559,478	9,343,625	7,583,464	7,986,858	7,100,892	7,751,463	8,988,937	7,669,016	7,288,382
Federal	1,705,645	1,660,747	1,510,492	1,242,149	1,191,895	981,408	1,033,975	1,397,853	1,969,839	2,139,213
Total revenues	64,528,312	63,184,486	61,993,045	59,842,235	57,484,233	54,153,650	51,905,887	53,763,943	51,548,046	49,550,323
Expenditures:										
General government	3,035,247	2,921,052	2,944,001	2,774,183	2,793,382	2,937,819	2,721,480	2,717,558	2,967,297	3,334,401
Judicial administration	1,912,674	1,700,103	1,744,265	1,590,975	1,542,439	1,479,337	1,487,657	1,402,807	1,386,268	1,485,689
Public safety	12,668,077	11,445,541	11,227,370	10,875,608	10,482,533	9,787,671	9,307,451	9,241,293	9,156,532	9,046,350
Public works	1,165,691	995,174	813,924	835,473	842,977	854,968	739,907	749,891	695,733	932,482
Health and welfare	7,720,929	7,338,687	6,303,720	5,889,164	5,693,169	5,278,422	5,581,402	6,066,615	5,247,601	4,550,477
Education	22,279,641	22,598,168	21,512,600	20,086,846	19,201,455	19,617,055	17,777,521	16,357,351	16,863,445	17,726,509
Parks, recreation, and cultural	1,341,683	1,248,154	1,295,954	1,244,476	1,201,478	1,141,213	1,168,824	1,010,633	1,441,339	1,750,969
Community development	907,785	1,129,139	1,440,771	915,959	1,507,750	952,071	960,472	947,721	1,453,749	1,541,267
Nondepartmental	131,692	102,214	82,990	149,450	74,854	58,853	56,646	79,648	64,989	70,641
Capital outlay	4,274,367	2,781,039	1,690,138	2,181,597	1,062,318	953,451	3,203,261	7,642,665	25,991,675	17,978,293
Debt service:										
Principal	6,122,307	5,920,047	5,618,697	5,422,510	5,469,436	5,398,954	5,248,884	5,612,231	4,053,986	3,528,930
Interest and fiscal charges	3,948,474	3,999,097	3,438,826	3,754,016	3,990,869	4,233,801	4,462,741	4,738,377	3,994,632	2,849,764
Bond issuance costs	-	-	-	-	-	-	-	-	-	161,844
Total expenditures	65,508,567	62,178,415	58,113,256	55,720,257	53,862,660	52,693,615	52,716,246	56,566,790	73,317,246	64,957,616
Excess of revenues over (under) expenditures	(980,255)	1,006,071	3,879,789	4,121,978	3,621,573	1,460,035	(810,359)	(2,802,847)	(21,769,200)	(15,407,293)
Other financing sources (uses):										
Transfers in	11,031,214	16,415,157	13,632,337	11,759,177	11,604,410	11,440,832	11,345,608	9,156,316	9,086,109	8,694,491
Transfers out	(13,248,935)	(18,812,761)	(15,746,348)	(14,227,123)	(13,639,302)	(14,293,103)	(13,490,981)	(13,046,832)	(12,381,898)	(11,896,447)
Issuance of bonds	-	-	-	-	-	-	-	-	-	30,550,000
Premium on bonds issued	-	-	-	-	-	-	-	-	-	2,847,298
Issuance of capital leases	-	514,626	-	494,870	56,207	747,000	-	-	-	-
Refunding of bonds	-	48,110,000	-	-	-	-	-	-	-	-
Premium on lease revenue refunding bonds issued	-	4,398,303	-	-	-	-	-	-	-	-
Discount on lease revenue and refunding bonds	-	-	-	-	-	-	-	-	-	-
Payment to bond escrow agent	-	(24,470,000)	-	-	-	-	-	-	-	-
Capital contributions	-	-	-	-	-	155,000	-	-	-	-
Total other financing sources (uses), net	(2,217,721)	26,155,325	(2,114,011)	(1,973,076)	(1,978,685)	(1,950,271)	(2,145,373)	(3,890,516)	(3,295,789)	30,195,342
Net change in fund balances	$ (3,197,976)	$ 27,161,396	$ 1,765,778	$ 2,148,902	$ 1,642,888	$ (490,236)	$ (2,955,732)	$ (6,693,363)	$ (25,064,989)	$ 14,788,049
Debt service as a percentage of noncapital expenditures	16.44%	16.29%	15.93%	17.05%	17.92%	18.62%	19.61%	21.16%	17.01%	13.97%

COUNTY OF ORANGE, VIRGINIA

TABLE 5
Page 1

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

	Real Estate [1]						Personal Property							
Tax Year	Residential	Commercial	Agricultural	Land Use Deferment	Public Service Companies [2]	Nominal Tax Rate per $100	Personal Property	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
2018	$ 2,965,725,700	$ 273,571,300	$ 887,244,800	$ (331,746,500)	$ 184,617,337	$ 0.804	$ 300,747,945	$ 3.750	$ 4,873,755	$ 0.804	$ 51,293,875	$ 1.831	$ 51,476,767	$ 0.400
2017	2,928,737,200	268,322,200	885,052,200	(336,737,200)	172,586,718	0.804	292,472,233	3.750	4,586,870	0.804	38,343,323	1.831	53,393,121	0.400
2016	2,891,574,450	269,842,800	885,356,900	(335,949,129)	169,705,328	0.804	279,172,792	3.750	4,778,250	0.804	37,843,645	1.831	47,096,280	0.400
2015	2,872,989,900	288,499,900	938,883,900	(405,605,300)	159,283,646	0.804	267,188,483	3.750	4,531,275	0.804	36,472,265	1.831	44,482,505	0.400
2014	2,851,679,600	285,469,200	935,478,300	(392,770,900)	156,469,027	0.804	260,018,870	3.750	4,659,999	0.804	31,425,320	1.831	47,827,072	0.400
2013	2,831,446,900	278,849,200	937,481,400	(395,149,600)	158,528,254	0.720	253,822,185	3.750	4,772,504	0.720	30,302,947	1.831	38,623,768	0.400
2012	2,813,280,900	268,501,700	934,808,400	(399,110,800)	150,901,640	0.720	247,033,473	3.750	4,753,499	0.720	32,438,245	1.831	36,833,317	0.400
2011	4,049,804,500	274,307,300	1,299,776,700	(627,490,300)	146,290,996	0.490	238,198,946	3.270	5,857,655	0.490	46,108,840	1.831	34,275,835	0.400
2010	4,032,854,000	276,234,300	1,303,981,800	(618,427,800)	149,505,359	0.490	233,050,277	3.270	5,888,190	0.490	49,158,875	1.831	34,848,749	0.400
2009	4,012,310,300	276,643,400	1,312,888,700	(605,297,900)	140,776,365	0.470	227,694,111	3.270	6,142,616	0.470	51,910,995	1.831	38,197,251	0.400

Notes:
(1) Real estate is assessed at 100% of fair market value.
(2) Assessed values are established by the State Corporation Commission.
(3) Until 2010, RVs were included with boats because they were taxed at the same rate. Campers were included in regular personal property until 2012 when the Board decided RVs and Campers should have the same rate.

Source: Commissioner of Revenue

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

COUNTY OF ORANGE, VIRGINIA

TABLE 5
Page 2

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

	Personal Property (Continued)													
Tax Year	Business and Heavy Equipment	Nominal Tax Rate per $100	RVs and Campers [3]	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
2018	$ 39,616,822	$ 2.200	$ 8,961,060	$ 2.620	$ 3,093,863	$ 2.620	$ 10,134,630	$ 2.090	$ 553,565	-	$ 106,159	$ 3.750	$ 4,450,271,078	$ 1.029
2017	40,433,625	2.200	7,386,181	2.620	3,042,695	0.700	9,500,382	2.090	501,085	-	119,557	3.750	4,367,740,190	1.023
2016	36,712,415	2.200	6,121,182	2.620	2,659,380	0.700	9,731,932	2.090	436,220	-	129,819	3.750	4,305,212,264	1.016
2015	37,401,024	2.200	5,644,432	2.620	3,663,235	0.700	10,791,413	2.090	-	-	136,301	3.750	4,264,362,979	1.011
2014	36,801,282	2.200	5,152,226	2.620	3,689,295	0.700	9,863,242	2.090	-	-	217,962	3.750	4,235,980,495	1.001
2013	32,088,040	2.200	4,577,454	2.620	4,572,520	0.700	9,574,406	2.090	-	-	207,743	3.750	4,189,697,721	0.925
2012	33,761,234	2.200	4,837,245	2.620	3,702,065	0.700	9,833,186	2.090	-	-	233,596	3.750	4,141,807,700	0.924
2011	30,992,750	2.200	2,711,355	2.090	3,764,875	0.700	10,033,275	2.090	-	-	235,409	3.270	5,514,868,136	0.634
2010	32,819,096	2.200	3,220,590	2.090	3,733,820	0.700	8,414,365	2.090	-	-	264,395	3.270	5,515,546,016	0.632
2009	32,970,619	2.200	-	-	3,814,495	0.700	9,737,873	0.700	-	-	238,528	3.270	5,508,027,353	0.609

Notes:
(1) Real estate is assessed at 100% of fair market value.
(2) Assessed values are established by the State Corporation Commission.
(3) Until 2010, RVs were included with boats because they were taxed at the same rate. Campers were included in regular personal property until 2012 when the Board decided RVs and Campers should have the same rate.

Source: Commissioner of Revenue

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

COUNTY OF ORANGE, VIRGINIA

TABLE 6

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

	Direct Rates*									
Tax Year	Real Estate [2]	Personal Property [2]	Mobile Homes	Machinery and Tools [2]	Merchants' Capital	Business Equipment	RVs and Campers	Airplanes	Boats	Total Direct Rate
2018	0.719	0.253	0.001	0.021	0.005	0.020	0.005	-	0.005	1.029
2017	0.721	0.251	0.001	0.016	0.005	0.020	0.004	-	0.005	1.023
2016	0.725	0.243	0.001	0.016	0.004	0.019	0.004	-	0.005	1.016
2015	0.727	0.235	0.001	0.016	0.004	0.019	0.003	0.001	0.005	1.011
2014	0.728	0.230	0.001	0.014	0.005	0.019	0.003	0.001	0.005	1.001
2013	0.655	0.227	0.001	0.013	0.004	0.017	0.003	0.001	0.005	0.925
2012	0.655	0.224	0.001	0.014	0.004	0.018	0.003	0.001	0.005	0.924
2011	0.457	0.141	0.001	0.015	0.002	0.012	0.001	-	0.004	0.634
2010	0.457	0.138	0.001	0.016	0.003	0.013	0.001	-	0.003	0.632
2009	0.438	0.135	0.001	0.017	0.003	0.013	-	-	0.001	0.609

	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
2018	0.175	0.830	0.066	0.100	0.990	0.240
2017	0.175	0.830	0.066	0.100	0.990	0.240
2016	0.175	0.830	0.066	0.100	0.990	0.240
2015	0.155	0.830	0.066	0.100	0.990	0.240
2014	0.155	0.830	0.066	0.100	0.990	0.240
2013	0.155	0.830	0.066	0.100	0.990	0.240
2012	0.145	0.830	0.066	0.095	0.990	0.240
2011	0.114	0.830	0.066	0.095	0.990	0.240
2010	0.114	0.830	0.066	0.095	0.990	0.240
2009	0.114	0.600	0.066	0.095	0.990	0.240

Notes:

(1) Per $100 of assessed value

(2) Includes Public Service Companies

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

COUNTY OF ORANGE, VIRGINIA

TABLE 7

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

Taxpayer	Type of Business	2018 Assessed Value [2]	2018 Rank	2018 Percentage of Total Taxable Assessed Value	2009 Assessed Value [2]	2009 Rank	2009 Percentage of Total Taxable Assessed Value
VanHoven Enterprises, LLC	Horticulture	$ 51,291,500	1	1.29%	$ -	-	-
Aerojet General Corp	Manufacturing	18,320,300	2	0.46%	23,225,600	1	0.45%
Holtzbrinck Publishers	Book Distributor	16,729,900	3	0.42%	19,308,900	2	0.38%
Rocklands LLC	Agriculture	10,681,000	4	0.27%	-	-	0.00%
Wal-Mart	Retail	9,802,400	5	0.25%	-	-	0.00%
Lohman Corporation	Manufacturing	8,020,800	6	0.20%	-	-	0.00%
American Woodmark	Manufacturing	7,130,000	7	0.18%	6,725,400	-	0.13%
P.W. Hiden LLC	Agriculture	6,669,600	8	0.17%	-	-	0.00%
Somerset Plantation Inc.	Agriculture	6,662,600	9	0.17%	-	-	0.00%
Orange Village	Shopping Center	6,175,400	10	0.16%	9,429,300	3	0.18%
PMC Distribution	Manufacturing	-	-	-	5,887,300	5	0.11%
General Shale	Manufacturing	-	-	-	5,500,100	6	0.11%
Angela's Properties	Housing	-	-	-	5,330,500	7	0.10%
Schooler Property of Wilderness	Hotel	-	-	-	4,872,800	8	0.09%
Oakebrook Terrace	Housing	-	-	-	4,661,000	9	0.09%
One America Place	Manufacturing	-	-	-	4,523,300	10	0.09%
Total Principal Property Tax Payers' Assessed Values		141,483,500		3.56%	89,464,200		1.74%
All Other Tax Payers' Assessed Values		3,837,929,137		96.44%	5,047,856,665		98.26%
Total Annual Assessed Values		$ 3,979,412,637		100.00%	$ 5,137,320,865		100.00%

Notes:

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

(2) Amounts provided for real estate assessments only.

Source: Commissioner of Revenue

COUNTY OF ORANGE, VIRGINIA

TABLE 8

PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years
(Unaudited)

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2018	$ 40,986,025	$ 39,582,898	96.58%		$ 39,582,898	96.58%
2017	40,601,127	39,208,461	96.57%	753,672	39,962,133	98.43%
2016	41,032,097	39,513,123	96.30%	132,109	39,645,232	96.62%
2015	42,035,631	41,509,115	98.75%	303,004	41,812,119	99.47%
2014	40,285,579	39,072,965	96.99%	1,100,837	40,173,802	99.72%
2013	38,114,349	37,414,751	98.16%	696,708	38,111,459	99.99%
2012	32,995,952	32,237,484	97.70%	758,468	32,995,952	100.00%
2011	31,815,752	31,299,234	98.38%	514,055	31,813,289	99.99%
2010	31,189,040	30,128,613	96.60%	1,058,026	31,186,639	99.99%
2009	31,114,223	29,624,406	95.21%	1,487,680	31,112,086	99.99%

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

COUNTY OF ORANGE, VIRGINIA

TABLE 9

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

Fiscal Year June 30,	Governmental Activities General Obligation Bonds	Other Notes/ Bonds	Capital Leases	Total Primary Government	Percentage of Personal Income (1)	Debt Per Capita (1)
2018	$ 37,297,285	$ 51,274,772	$ 339,800	$ 88,911,857	N/A	2,465
2017	41,974,252	52,508,303	892,640	95,375,195	5.71%	2,661
2016	46,551,004	24,900,000	998,813	72,449,817	4.47%	2,084
2015	50,004,318	25,852,628	1,438,147	77,295,093	5.18%	2,223
2014	54,474,685	26,666,166	1,310,884	82,451,735	6.01%	2,391
2013	59,095,722	27,133,866	1,565,987	87,795,575	6.53%	2,539
2012	61,063,084	28,775,000	1,050,901	90,888,985	7.15%	2,654
2011	65,397,332	29,535,000	1,205,537	96,137,869	8.12%	2,833
2010	73,209,104	29,589,064	1,657,766	104,455,934	9.10%	3,269
2009	76,354,106	29,836,524	2,136,850	108,327,480	9.88%	2,383

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

(1) See the Schedule of Demographic and Economic Statistics - Table 11.

COUNTY OF ORANGE, VIRGINIA

TABLE 10

RATIOS OF NET GENERAL BONDED DEBT TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA

Last Ten Fiscal Years

(Unaudited)

Fiscal Year Ended June 30,	Gross Bonded Debt [3]	Less: Amounts Reserved for Debt Service	Net Bonded Debt	Ratio of Net General Obligation Debt to Assessed Value [2]	Net Bonded Debt per Capita [1]
2018	$ 37,297,285	$ 160,014	$ 37,137,271	N/A	1,030
2017	41,974,252	1,094,182	40,880,070	0.94%	1,141
2016	46,551,004	379,309	46,171,695	1.07%	1,328
2015	50,004,318	-	50,004,318	1.17%	1,438
2014	54,474,685	-	54,474,685	1.30%	1,580
2013	59,095,722	-	59,095,722	1.29%	1,709
2012	61,063,084	-	61,063,084	1.34%	1,783
2011	65,397,332	-	65,397,332	1.06%	1,927
2010	102,404,572	489,312	101,915,260	1.67%	3,037
2009	106,190,630	1,209,197	104,981,433	1.72%	3,150

Notes:

(1) Population data can be found in the Schedule of Demographic and Economic Statistics - Table 11.

(2) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property - Table 5.

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

COUNTY OF ORANGE, VIRGINIA

TABLE 11

DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years
(Unaudited)

Fiscal Year Ended June 30,	Population [1]	Personal Income [1]	Per Capita Personal Income [1]	Median Age [2]	Public School Average Daily Membership [3]	Unemployment Rate [4]
2018	36,073	N/A	N/A	N/A	4,746	3.30%
2017	35,836	1,669,934,000	46,293	N/A	4,781	3.90%
2016	35,533	1,619,025,612	45,564	42.1	4,840	4.00%
2015	34,763	1,492,044,000	42,166	42.6	4,969	4.90%
2014	34,487	1,372,657,000	39,190	42.6	4,971	5.40%
2013	34,580	1,344,107,000	38,821	42.6	4,960	6.00%
2012	34,246	1,271,930,686	37,141	42.6	5,044	6.70%
2011	33,938	1,183,902,000	34,884	41.9-44	5,027	6.80%
2010	33,559	1,148,376,000	34,220	40-44.8	5,058	7.70%
2009	33,329	1,096,430,000	32,897	40-44.8	5,110	3.20%

Notes:

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

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

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

(4) Source: Virginia Workforce Connection

COUNTY OF ORANGE, VIRGINIA

TABLE 12

PRINCIPAL PRIVATE EMPLOYERS
Current Year and Nine Years Ago
(Unaudited)

	2018			2009		
Employer	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
American Woodmark	345	1	3.69%	157	5	1.67%
Dogwood Village	325	2	3.47%	545	1	5.81%
MPS	305	3	3.26%	308	2	3.28%
Germanna Community College*	257	4	2.75%	280	3	2.98%
Aerojet	225	5	2.41%	135	6	1.44%
Food Lion	223	6	2.38%	129	7	1.37%
Walmart	218	7	2.33%	-	-	-
Battlefield Farms	204	8	2.18%	78	9	0.83%
Green Applications	173	9	1.85%	-	-	-
Zamma Corp.	165	10	1.76%	75	10	0.80%
Ridge Tool Manufacturing	-	-	-	127	8	1.35%
American Press	-	-	-	165	4	1.76%
	2,440		26.08%	1,999		21.29%
Total County Employment	9,355			9,388		

Source: Virginia Employment Commission, 2nd Quarter 2017.

** quasi private employer*

COUNTY OF ORANGE, VIRGINIA

TABLE 13
Page 1

OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years
(Unaudited)

Function	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Public safety										
Sheriffs department: [1]										
Calls for service	23,468	28,545	28357	29,378	29,255	30,024	28,340	30,954	31,762	34,245
Traffic violations	1,755	3,498	2,719	2,471	2,499	2,602	2,017	2,429	3,320	3,260
Civil papers	9,319	9,559	8,979	10,064	10,919	9,913	10,379	10,679	11,051	11,920
Fire and rescue:										
Number of calls answered	7,108	9,048	6,475	6,529	5,707	5,962	6,834	5,463	5,696	4,686
Building inspections:										
Permits issued	965	902	880	778	848	826	693	633	679	675
Animal control:										
Number of calls answered [1]	1,478	693	640	1,280	1,229	776	1,385	1,319	1,213	658
Public works										
General maintenance:										
Trucks/vehicles	4	4	4	5	3	3	3	3	3	3
Landfill:										
Refuse collected (total tons per year)	23,431	24,623	24,225	15,871	24,373	23,696	25,985	33,269	35,946	44,914
Recycling (total tons per year)	917	1,042	2,909	1,571	1,979	7,000	1,733	1,561	2,076	2,343
Health and welfare										
Office on Youth Childcare Enrollment:										
Gordon Barbour Elementary School	52	48	51	55	37	37	42	43	N/A	N/A
Locust Grove Primary School	96	94	87	76	34	46	33	39	N/A	N/A
Orange Elementary School	64	48	43	36	43	site closed	site closed	30	N/A	N/A
Culture and recreation										
Parks and recreation:										
Youth sports participants	396	372	425	515	591	541	931	456	439	364
Community development										
Planning:										
Zoning permits issued	440	364	301	328	290	313	283	252	355	337
Component Unit – School Board										
Education:										
Average Daily Membership (ADM)	4,746	4,781	4,840	4,969	4,971	4,960	5,023	5,027	5,058	5,110
Number of teachers	385	380	360	348	348	346	339	346	391	388
Local expenditures per pupil	4,075	3,850	4,109	4,055	3,690	3,908	3,198	3,216	3,417	3,458

COUNTY OF ORANGE, VIRGINIA

TABLE 13
Page 2

OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years
(Unaudited)

Function	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Full-Time Employee Population										
General government administration	26	34	31	32	32	32	29	29	33	34
Judicial administration	22	15	22	20	19	19	20	19	20	21
Public safety	104	104	97	97	94	93	87	86	88	95
Public works	8	8	8	8	8	8	8	8	9	9
Health and welfare	7	6	5	4	4	2	2	2	6	7
Parks, recreation and cultural	9	10	9	9	9	9	8	8	9	12
Community development	8	8	8	8	8	8	7	7	6	7
Non-departmental	1	1	-	-	-	-	-	-	-	-
Airport	1	1	1	1	1	1	1	1	1	2
Landfill	8	7	8	8	7	7	7	7	7	9
Capital Assets, net of accumulated depreciation(2)										
General administration	$ 14,204,893	$ 13,762,660	$ 14,234,451	$ 14,635,541	$ 14,557,883	$ 15,439,858	$ 15,068,367	N/A	N/A	N/A
Judicial administration	356,103	7,704	12,801	17,896	13,588	-	-	N/A	N/A	N/A
Public safety	3,604,189	3,021,193	2,626,968	2,730,149	2,057,784	1,750,344	1,622,991	N/A	N/A	N/A
Public works	1,372,904	1,513,787	1,492,201	275,612	265,767	424,182	387,448	N/A	N/A	N/A
Health and welfare	100,687	90,917	71,277	67,154	45,282	-	30,018	N/A	N/A	N/A
Education	88,811,909	88,180,196	91,159,498	95,427,463	96,257,186	94,077,159	95,082,005	N/A	N/A	N/A
Parks, recreation and cultural	444,308	353,651	411,656	245,596	272,228	15,594	94,105	N/A	N/A	N/A
Community development	435,944	318,561	61,519	148,084	142,711	63,510	129,172	N/A	N/A	N/A
Airport	10,053,419	10,182,877	11,004,347	11,371,563	11,526,529	11,327,593	11,646,100	N/A	N/A	N/A
Landfill	2,589,872	2,501,973	2,355,044	2,976,312	3,301,381	3,912,590	1,267,444	N/A	N/A	N/A
Total	$ 121,974,228	$ 119,933,519	$ 123,429,762	$ 127,895,370	$ 128,440,339	$ 127,010,830	$ 125,327,650	N/A	N/A	N/A

Source: Individual county departments

Notes:
(1) Statistics available on calendar year, rather than fiscal year.
(2) Capital assets, net of accumulated depreciation amounts are exclusive of construction in progress.

COMPLIANCE SECTION

COUNTY OF ORANGE, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
DEPARTMENT OF AGRICULTURE:				
Pass-through payments:				
Department of Social Services:				
SNAP Cluster:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	Not provided	$ -	$ 301,941
Total SNAP Cluster				301,941
Department of Agriculture:				
Child Nutrition Cluster:				
Commodity Distributions	10.555	Not provided	-	129,842
Summer Food Service Program for Children	10.559	Not provided	-	431
				130,273
Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	Not provided	-	345,887
National School Lunch Program	10.555	Not provided	-	943,468
Summer Food Service Program for Children	10.559	Not provided	-	40,849
				1,330,204
Total Child Nutrition Cluster				1,460,477
Department of Health:				
Child and Adult Care Food Program	10.558	Not provided	-	47,016
Total Department of Agriculture				1,809,434
DEPARTMENT OF DEFENSE:				
Direct payments:				
Department of Defense:				
ROTC Language and Culture Training Grants	12.357		-	67,107
Total Department of Defense				67,107
DEPARTMENT OF THE INTERIOR:				
Direct payments:				
Bureau of Land Management:				
Payments in Lieu of Taxes	15.226		-	15,205
Total Department of the Interior				15,205

See Notes to Schedule of Expenditures of Federal Awards.

COUNTY OF ORANGE, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
DEPARTMENT OF JUSTICE:				
Direct payments:				
Department of Justice:				
Bulletproof Vest Partnership	16.607		$ -	$ 5,200
Pass-through payments:				
Department of Criminal Justice Services:				
Crime Victim Assistance	16.575	17-T9571VW15	-	42,516
Total Department of Justice				47,716
DEPARTMENT OF TRANSPORTATION:				
Direct payments:				
Department of Transportation:				
Airport Improvement Program	20.106		-	242,212
Pass-through payments:				
Department of Motor Vehicles:				
Highway Safety Cluster:				
State and Community Highway Safety	20.600	Not provided	-	11,141
Total Highway Safety Cluster				11,141
Total Department of Transportation				253,353
DEPARTMENT OF EDUCATION:				
Pass-through payments:				
Department of Education:				
Adult Education - Basic Grants to States	84.002	V002A160047/V002A170047	-	96,758
Title I Grants to Local Education Agencies	84.010	S010A160046/S010170046	-	824,709
Student Support and Academic Enrichment Grants	84.424	S424A170048	-	6,194
Special Education Cluster:				
Special Education - Grants to States	84.027	H027A160107	-	1,144,070
Special Education - Preschool Grants	84.173	H173A160112	-	32,316
Total Special Education Cluster				1,176,386
Career and Technical Education - Basic Grants to States	84.048	V048A170046	-	73,528
English Language Acquisition State Grants	84.365	S365A160046	-	18,090
Supporting Effective Instruction State Grant	84.367	S367A160044	-	109,084
Total Department of Education				2,304,749

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
DEPARTMENT OF HEALTH AND HUMAN SERVICES:				
Direct payments:				
Department of Health and Human Services:				
Head Start	93.600		$ -	$ 1,657,243
Pass-through payments:				
Department of Social Services:				
Promoting Safe and Stable Families	93.556	Not provided	-	13,294
TANF Cluster:				
Temporary Assistance for Needy Families	93.558	Not provided	-	185,916
Total TANF Cluster				185,916
Refugee and Entrant Assistance - State Administered Programs	93.566	Not provided	-	303
Low-Income Home Energy Assistance	93.568	Not provided	-	23,207
Child Care and Development Fund Cluster:				
Child Care and Development Block Grant	93.575	Not provided	-	(198)
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	Not provided	-	29,364
Total Child Care and Development Fund Cluster				29,166
Chafee Education and Training Vouchers Program (ETV)	93.599	Not provided	-	7,410
Adoption and Legal Guardianship Incentive Payments	93.603	Not provided	-	1,018
Stephanie Tubbs Jones Child Welfare Services Program	93.645	Not provided	-	480
Foster Care - Title IV-E	93.658	Not provided	-	319,185
Adoption Assistance	93.659	Not provided	-	190,081
Social Services Block Grant	93.667	Not provided	-	231,181
Chafee Foster Care Independence Program	93.674	Not provided	-	4,619
Children's Health Insurance Program	93.767	Not provided	-	12,193
Medicaid Cluster:				
Medical Assistance Program	93.778	Not provided	-	543,521
Total Medicaid Cluster				543,521
Total Department of Health and Human Services				3,218,817
Total Expenditures of Federal Awards				$ 7,716,381

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2018

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the County of Orange, Virginia and component unit, Orange County School Board under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County.

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

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

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

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

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

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

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2018

Note 2. Summary of Significant Accounting Policies

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

Note 3. Indirect Cost Rate

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

Note 4. Non-Cash Assistance

In addition to amounts reported on the Schedule, the County of Orange, Virginia consumed non-cash assistance in the form of food commodities. Commodities with a fair value of $129,842 at the time received were consumed during the year ended June 30, 2018. These commodities were included in the determination of federal awards expended during the year ended June 30, 2018.

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Orange, Virginia (County), as of and for the year ended June 30, 2018, 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 29, 2018.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, described in the accompanying Scheduled of Findings and Questioned Costs as item 2018-00, that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters 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 2018-002 through 2018-004.

The County's Response to Findings

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

Purpose of this Report

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

PBMares, LLP

Harrisonburg, Virginia
November 29, 2018

PBMares

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

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

Report on Compliance for Each Major Federal Program

We have audited the County of Orange, Virginia's (County) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2018. The County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Basis for Qualified Opinion on the Adoption Assistance Program

As described in the accompanying Schedule of Findings and Questioned Costs, the Orange Department of Social Services did not comply with the requirement regarding CFDA Number 93.659, Adoption Assistance Program, as described in finding number 2018-005 for Eligibility and Allowable Costs. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

Qualified Opinion on the Adoption Assistance Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion Paragraph, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA Number 93.659, Adoption Assistance Program, for the year ended June 30, 2018.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2018-005. Our opinion on this major federal program is qualified with respect to this matter.

The County's Response to Noncompliance Finding

The County's response to the noncompliance finding identified in our audit as item 2018-005 is described in the accompanying Schedule of Findings and Questioned Costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as item 2018-005, that we consider to be a material weakness.

The County's Response to Finding

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

Purpose of this Report

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

PBMares, LLP

Harrisonburg, Virginia
November 29, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

Section I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified?	√ Yes	____ No
Significant deficiencies identified?	____ Yes	√ None Reported
Noncompliance material to financial statements noted?	√ Yes	____ No

Federal Awards

Internal control over major programs:

Material weakness identified?	√ Yes	____ No
Significant deficiencies identified?	____ Yes	√ None Reported

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

- Qualified for Eligibility and Allowable Costs:
  93.659 Adoption Assistance
- Unmodified for all other applicable compliance requirements of Adoption Assistance for all other major programs and applicable compliance requirements.

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	√ Yes	____ No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
Child Nutrition Cluster:	
10.553	School Breakfast Program
10.555	National School Lunch Program
10.555	Commodity Distributions
10.559	Summer Food Service Program for Children
Special Education Cluster:	
84.027	Special Education - Grants to States
84.173	Special Education - Preschool Grants
93.659	Adoption Assistance
Medicaid Cluster:	
93.778	Medical Assistance Program

Dollar threshold used to distinguish between type A and type B programs $750,000

Auditee qualified as low-risk auditee? ____ Yes √ No

Section II. FINANCIAL STATEMENT FINDINGS

A. Material Weaknesses in Internal Control

2018-001: Material Weakness Due to Material Audit Adjustments

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

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

Context: Upon auditing the School Board’s year-end balances, entries were required to properly record construction in progress. There was a lack of reconciliation of both additions to construction in progress and transfers of completed projects out of construction in progress to depreciable asset classes.

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

Repeat Finding: This is a repeat finding, as the prior year findings were identified as 2017-001 and 2016-001.

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

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

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

Section II. FINANCIAL STATEMENT FINDINGS (Continued)

B. Compliance Findings

2018-002: Social Services LASER Reconciliation to the General Ledger Not Completed

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

Condition: During the fiscal year 2018 audit, it was determined the monthly LASER amounts were not being reconciled to the General Ledger.

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

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

Repeat Finding: This is a repeat finding, as the prior year findings were identified as 2017-005 and 2016-010.

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

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

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

2018-003: Social Services Untimely Completion of Termination and Separation Checklists of Terminated Users

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

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

Context: In testing the removal of access privileges of two terminated employees, one employee who was terminated in November 2017 did not have a termination and separation checklist completed until May 2018. This is considered a statistically valid sample.

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

Section II. FINANCIAL STATEMENT FINDINGS (Continued)

B. Compliance Findings (Continued)

2018-003: Social Services Untimely Completion of Termination and Separation Checklists of Terminated Users (Continued)

Repeat Finding: This is a portion of repeat findings, as the termination and separation checklists portion of the prior year findings were identified as 2017-005 and 2016-013.

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

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

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

2018-004: Social Services Information Systems Security Controls

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

Condition: Of the information security forms tested, we noted employees with missing annual IT access reviews.

Context: Documentation of annual review of employee access was lacking for all four employees tested. This is considered a statistically valid sample.

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

Repeat Finding: This is a repeat finding, as the prior year findings were identified as 2017-007 and 2016-014.

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

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

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

Section III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

A. Material Weakness in Internal Control

2018-005: Eligibility and Allowable Costs – Adoption Assistance – CFDA Number 93.659; Award period: Year Ended June 30, 2018; Pass-through entity name: Virginia Department of Social Services

Criteria and Condition: US Code 42 USC 675(3) – A payment may not be made to parents or relative guardians with respect to a child who has attained 18 years of age or 21 years of age, if the Department of Social Services determines the child has a mental or physical handicap which warrants the continuation of assistance. Payments were made on behalf of one individual between 18 and 21 years of age, however no determination of continuing mental or physical handicap was documented.

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

Context: Of the 12 children tested, one did not have sufficient documentation to support benefit payments continuing past the age of 18 and five Virginia Annual Affidavits for Adoption Assistance were not performed. This is considered a statistically valid sample.

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

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

Questioned Costs: Known questioned costs for the child over the age of 18 are $16,200. Additional questioned costs for adoption subsidy agreements signed untimely were not able to be quantified.

Recommendation: The Orange County Department of Social Services should develop internal control procedures to ensure sufficient supporting documentation is maintained for all eligibility determinations, and that adoptive parents sign the Virginia Annual Affidavit for Adoption Assistance on a timely basis.

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

ORANGE COUNTY, VIRGINIA
Office of the County Administrator

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CORRECTIVE ACTION PLAN
Year Ended June 30, 2018

<u>Identifying Number:</u> 2018-001: Material Weakness Due to Material Audit Adjustments

<u>Finding:</u>

Upon auditing the School Board's year-end balances, entries were required to properly record construction in progress.

<u>Corrective Action Taken or Planned:</u>

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

<u>Identifying Number:</u> 2018-002: Social Services LASER Reconciliation to the General Ledger Not Completed

<u>Finding:</u>

During the fiscal year 2018 audit, it was determined the monthly LASER amounts were not being reconciled to the General Ledger.

<u>Corrective Action Taken or Planned:</u>

The Department of Social Services continues to consistently reconcile the financial system (Thomas Brothers) to the State's system (LASER) each month. The Department also reconciles Thomas Brothers and the County's financial system (Munis) on a monthly basis. However, due to staffing limitations and the complex and time-consuming nature of the reconciliations, the Department has not yet achieved adequate staffing to consistently reconcile LASER to Munis. The Department continues to work toward adequate staffing to perform the third reconciliation between LASER and Munis.

<u>Identifying Number:</u> 2018-003: Social Services Untimely Completion of Termination and Separation Checklists of Terminated Users

<u>Finding:</u>

In testing the removal of access privileges of two terminated employees, one employee who was terminated in November 2017 did not have a termination and separation checklist completed until May 2018. This is considered a statistically valid sample.

<u>Corrective Action Taken or Planned:</u>

The Department has trained additional local security officers to assist with the requirement. Checklists and terminations are now consistently performed timely.

<u>Identifying Number:</u> 2018-004: Social Services Information Systems Security Controls

<u>Audit Finding:</u>

Of the information security forms tested, we noted employees with missing annual IT access reviews.

<u>Corrective Action Taken or Planned:</u>

The annual system access review was completed for all employees in 2015 but, due to limited staffing, it was only partially completed in 2016. Beginning in 2017, the annual system access review has been completed timely for all staff.

<u>Identifying Number:</u> 2018-005: Eligibility and Allowable Costs – Adoption Assistance

<u>Audit Finding:</u>

Of the 12 children tested, one did not have sufficient documentation to support benefit payments continuing past the age of 18 and five Virginia Annual Affidavits for Adoption Assistance were not performed.

<u>Corrective Action Taken or Planned:</u>

The Department's Family Services Unity is now fully staffed to include a Human Services Assistant (HSA) who audits all Adoption subsidy case files. A function of this internal audit is to ensure that annual affidavits are up to date and placed correctly in the file. The HSA has generated a spreadsheet to track the due date of all affidavit to ensure complete compliance with this requirement. The Department corrected the funding source for the adoption assistant payment that was noted in the audit and is now in full compliance with regard to allowable adoption assistance costs.

ORANGE COUNTY, VIRGINIA
Office of the County Administrator

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2018

Identifying Number: 2017-001

Audit Finding:

2017-001: Material Weakness Due to Material Audit Adjustments

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

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

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

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

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

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

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

Corrective Action Taken or Planned:

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

<u>Identifying Number:</u> 2017-002

<u>Audit Finding:</u>

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

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

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

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

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

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

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

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

<u>Corrective Action Taken or Planned:</u>

The School Board made changes to both the payroll and accounts payable modules to limit access if not required to perform designated duties.

<u>Identifying Number:</u> 2017-003

<u>Audit Finding:</u>

2017-003: Social Services Case Records

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

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

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

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

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

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

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

<u>Corrective Action Taken or Planned:</u>

The Department is now fully staffed and in compliance with case file requirements. The Family Services Unit now conducts regular weekly meetings with individual staff in addition to full unit meetings.

<u>Identifying Number:</u> 2017-004

<u>Audit Finding:</u>

2017-004: Significant Deficiency Due to Significant Audit Adjustments

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

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

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

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

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

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

<u>Corrective Action Taken or Planned:</u>

The auditee agrees with the recommendations and has taken the necessary steps to accurately record all entries including pension and capital asset acquisitions in its governmental and proprietary funds.

<u>Identifying Number:</u> 2017-005

<u>Audit Finding:</u>

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

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

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

Identifying Number: **2017-005 (Continued)**

Audit Finding: (Continued)

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

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

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

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

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

Corrective Action Taken or Planned:

The Department of Social Services continues to consistently reconcile their financial system (Thomas Brothers) to the State's system (LASER) each month. The Department also reconciles Thomas Brothers and the County's financial System (Munis) on a monthly basis. However, due to staffing limitations and the complex and time-consuming nature of the reconciliations, the Department has not yet achieved adequate staffing to consistently reconcile LASER to Munis. The Department continues to work toward adequate staffing to perform the third reconciliation between LASER and Munis.

Identifying Number: **2017-006**

Audit Finding:

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

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

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

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

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

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

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

<u>Identifying Number:</u> 2017-006 (Continued)

<u>Audit Finding:</u> (Continued)

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

<u>Corrective Action Taken or Planned:</u>

The Department has trained additional local security officers to assist with this requirement. Checklists and terminations are now consistently performed timely.

<u>Identifying Number:</u> 2017-007

<u>Audit Finding:</u>

2017-007: Social Services Information Systems Security Controls

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

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

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

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

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

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

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

<u>Corrective Action Taken or Planned:</u>

1) Initial access forms are completed consistently for all new hires. The initial access forms that were missing were for staff that joined the agency in past years.
2) The annual system access review was completed for all employees in 2015, but due to limited staffing, it was only partially completed in 2016. Beginning in 2017, the annual system access review has been completed timely for all staff.

Identifying Number: 2017-007 (Continued)

Corrective Action Taken or Planned: (Continued)

3) Beginning in 2017, Virginia Department of Social Services (VDSS) changed the requirements for acceptable use acknowledgements. The acknowledgements are now completed and submitted directly to the VDSS main office as part of each employee's mandatory online security training. Failure to complete the security training and submit the acknowledgement results in automatic suspension of the user's network and system access. VDSS will not reinstate the user's access until their training and acknowledgement are complete. Per VDSS, beginning in 2017, local Department of Social Services offices are no longer required to obtain the annual acceptable use agreements or security training certificates.

Identifying Number: 2017-008

Audit Finding:

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

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

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

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

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

Questioned Costs: Undetermined

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

Corrective Action Taken or Planned:

The Department's Eligibility unit has achieved full staffing, resulting in a significant decrease in overdue Medicaid renewals over the past year. The department currently has zero overdue Medicaid renewals and has consistently maintained a trend of less than 30 overdue Medicaid renewals throughout 2018 as compared to the extensive number of overdue renewals in 2017.

Identifying Number: 2017-009

Audit Finding:

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

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

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

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

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

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

Questioned Costs: Undeterminable

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

Corrective Action Taken or Planned:

The Department's Family Services Unit is now fully staffed to include a Human Services Assistant (HSA) who audits all Adoption subsidy case files. A function of this internal audit is to ensure that annual affidavits are up to date and placed correctly in the file. The HSA has generated a spreadsheet to track the due date of all affidavit to ensure complete compliance with this requirement. The Department corrected the funding source for the adoption assistance payment that was noted in the audit and is now in full compliance with regard to allowable adoption assistance costs.

Identifying Number: 2017-010

Audit Finding:

2017-010: Uniform Guidance

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

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

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

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

Effect: Noncompliance with regulations may result in improper payments.

Questioned Costs: Undeterminable

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

Corrective Action Taken or Planned:

The auditee agrees with these recommendations and has taken the necessary steps to prevent a recurrence. A policy for Federal Grants to address the requirements of Uniform Guidance was adopted and implemented for all County departments during FY18. The School Board amended the current policies and procedures to address the rules and regulations required by Uniform Guidance.

Identifying Number: 2017-011

Audit Finding:

2017-011: Schedule of Federal Expenditures of Federal Awards

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

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

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

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

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

Questioned Costs: $43,025

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

Corrective Action Taken or Planned:

The School Board made the correction so that the funds received from the US Department of Agriculture for the Head Start Program were properly recorded.