

COUNTY OF ORANGE, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2014

PREPARED BY:
FINANCE DEPARTMENT
ORANGE, VIRGINIA

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INTRODUCTORY SECTION

ORANGE COUNTY, VIRGINIA

Office of the County Administrator

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December 18, 2014

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

The Code of Virginia (§ 15.2-2511) requires that all localities publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2014.

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

Brown, Edwards & Co., L.L.P., a firm of licensed certified public accountants, has audited and issued an unmodified "clean" opinion on the financial statements of Orange County for the fiscal year ended June 30, 2014. The Independent Auditors' report is presented as the first component of the financial section of this report.

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

PROFILE OF THE GOVERNMENT

Orange County, Virginia, is a rural, but developing county with a landscape dominated by gently rolling hillsides, spectacular views of the beautiful Blue Ridge Mountains, the Rapidan River and several of Virginia's most significant historic areas. Located in Virginia's north-central Piedmont region, the County is 72 miles northwest of Richmond, 55 miles southwest of Washington, D.C. and 25 miles northeast of Charlottesville. The County consists of 355 square miles of land that ranges in elevation from 175 feet above sea level along the Rapidan River to 1,200 feet above sea level in the mountains and has an estimated population of 34,689. The County was named after William IV, Prince of Orange, and was formed in 1734. The Town of Orange became Orange County's judicial seat in 1749 when Culpeper County was formed making the previous courthouse location at Raccoon Ford far from the center of the new County.

The County includes two incorporated towns, the Towns of Gordonsville (population 1,583) and Orange (population 4,907), which are two of the main centers of commercial and industrial activity. The Route 3 Corridor in the eastern end of the County is also a commercial center. A planned residential community known as the Lake of the Woods is located on this corridor within the County and offers a private residential setting with recreation and open space areas.



Orange County Courthouse

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

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

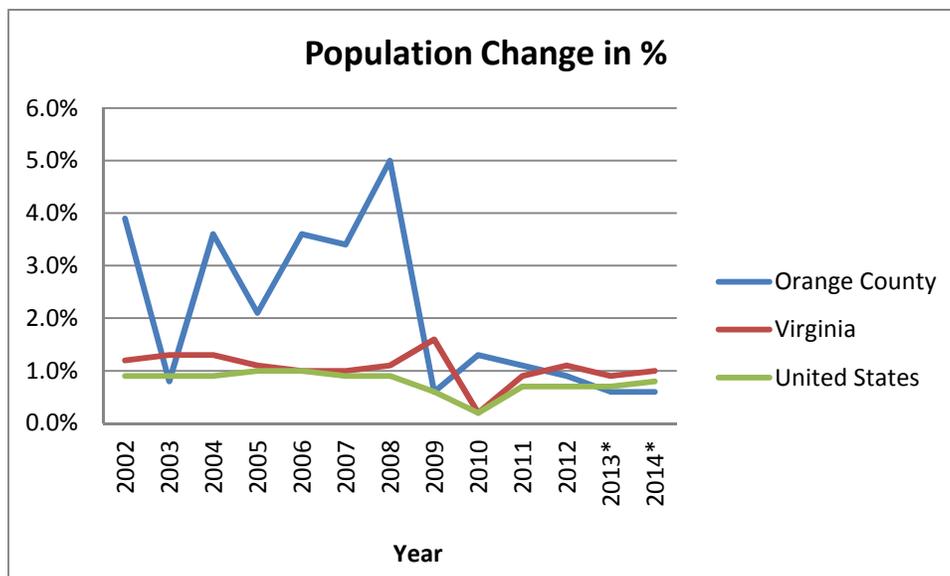
Orange County is financially accountable for a legally separate school district, which is reported separately within the financial statements as a component unit. Orange County Public Schools is the single largest service provided by the County. The School Board is composed of five elected members from each of the election districts. The School Board appoints a Superintendent to administer the policies of the School Board. The school system is comprised of one high school, two middle schools, and six elementary schools. The average daily membership for the purpose of establishing the amounts of state school aid for school year 2013-2014 was 4,971. This is an increase of eleven students from the prior year and is also the first increase in five years. The mission statement adopted by the Orange County Public Schools is: *“Improving the future by empowering our students to value learning, achieve their full potential, and pursue their dreams.”*

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

Virginia law requires the County to maintain a balanced budget in each fiscal year. The annual budget serves as the foundation of the County’s financial planning and control. County departments and agencies begin their budget preparation each fall. In February, the County Administrator submits a proposed operating and capital budget. The operating and capital budgets include proposed expenditures and the means of financing such expenditures. Work sessions are scheduled to further refine the proposal and align it with 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.

Economic Conditions and Outlook

Economic recovery continued at a relatively slow pace in Fiscal Year 2014. A major driver of the County’s economy over the last decade was population growth with many new residents moving in to enjoy the County’s rural and picturesque location and proximity to the markets of Richmond, Charlottesville, Culpeper, and the Washington D.C metropolitan area. As indicated in the following chart, Orange County’s population growth between 2001 and 2009 was well above the state and national rates and growth in the commercial and service sectors of the economy accompanied the new residents. As the general economy slowed, so did the in-migration and the most recent estimates now indicate Orange County’s population growth has fallen below the state and national rates.



During FY14, the Virginia Economic Development Partnership (VEDP) worked with Orange County, the Town of Gordonsville and the Central Virginia Partnership for Economic Development to secure a major economic development project in Orange County. Virginia Governor Terry McAuliffe approved a \$540,000 grant from the Governor's Opportunity Fund to assist Orange County and Gordonsville with the project.

On March 7, 2014, Governor McAuliffe announced that Green Applications LLC, a Division of Green Distribution, one of the largest printers and distributors of textile merchandise and heat applied graphics on the East Coast, will invest \$9.75 million to establish its first Virginia operation in the Town of Gordonsville in Orange County. The company will design, screen print, produce and distribute graphic art on heat transfers and apparel, creating 323 new jobs. Virginia successfully competed against Florida and New Jersey for the project.



**Governor's Press Conference
Green Applications, LLC**

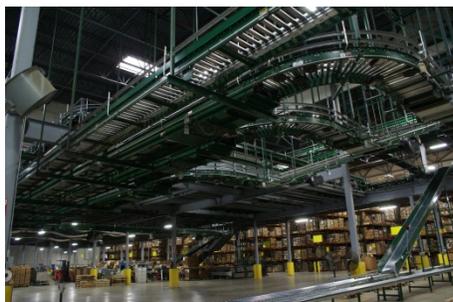
Speaking in Gordonsville, Governor McAuliffe said, "It is a pleasure to welcome Green Applications to Virginia as the company further expands its footprint on the East Coast. The investment in Gordonsville is a testament to the superior workforce in Orange County, and the return of a formerly-vacant building, which used to employ more than 100 people, to productive use is a symbol of economic revitalization in the region. My top priority as governor is to grow and diversify the economy and attract innovative companies to the Commonwealth, and the creation of over 300 new jobs with this investment marks significant progress toward ensuring our economy remains competitive in the 21st Century." "We are thrilled to add Green Applications to the roster of companies that operate in Virginia," said Maurice Jones, Virginia Secretary of Commerce and Trade. "This significant investment and 323 new jobs are valuable to Gordonsville, Orange County and the Commonwealth." Through its Virginia Jobs Investment Program, the Virginia Department of Small Business and Supplier Diversity will provide funding and services to support the company's retraining activities.

Founded in 2009 and headquartered in Secaucus, New Jersey, Green has grown to employ over 450 employees delivering creative and manufacturing artistry to the screen printing industry. With a full service art department, screen room, printing presses, warehouse facility, and one of the most experienced management teams in the industry, the company provides strategic print solutions to its varied customer base

"Virginia is great state with a strong workforce to lead our East Coast expansion," said Robert Butters, Green Applications Owner and Chief Executive Officer. "As the textile print and embellishment industry moves back to domestic production, being located in the center of the East Coast allows us to deliver quick-turn and strategic solutions to our customers. We worked closely with the Virginia Economic Development Partnership to realize this opportunity and I am excited by the tremendous growth potential in the region."

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

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



MPS Packaging System

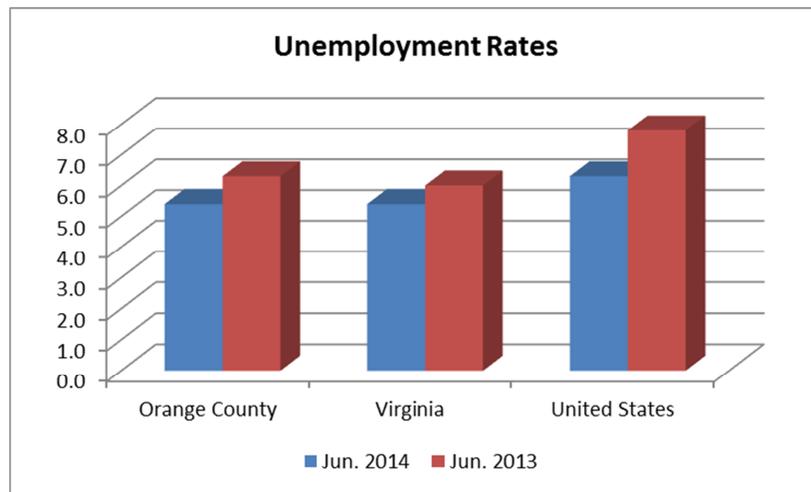
MPS, which is part of Macmillan Publishing has been located in Orange County for more than thirty years and is the County's largest employer with 285 employees. Macmillan Publishers is a global trade publishing company, owned by Verlagsgruppe Georg von Holtzbrinck, with imprints in the United States,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

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



RIDGID Products

The Orange Workforce Center was established to assist job seekers and employers and has worked with over 200 citizens per month. Unemployment rates in the County rose during the recession, but have now declined along with state and national rates. The County continues to monitor activity in its workforce development center. Information provided by the Virginia Employment Commission indicates a County unemployment rate at June 30, 2014, of 5.4%; identical to the state average but below the national unemployment rate of 6.3%.



According to the Bureau of Economic Analysis, Orange County per capita personal income rose by 3.4% over the previous year compared to the state-wide increase of 2.7%. The national increase in per capita personal income was also 3.4%. Local Option Sales Tax revenue for the fiscal year totaled \$2,712,174, a 9.5% increase over FY13. A new Wal-Mart store opened its doors in July, 2013 and is estimated to be responsible for most of the increase in revenue. The new store represents a fifteen million dollar investment and has created 300 new jobs in the County.

The taxable assessed value of real property in the County increased by .7% for the 2013 tax year and regular personal property increased by 2.7%. Machinery and Tools assessed values continued to decline by 6.6% as the overall value of existing machinery and tools continued to depreciate and new investments were not made quickly enough to offset the decreases. The tax assessments for 2014, however, reflect an increase in this category of 3.7%; another indication of a recovering economy. Merchants Capital assessed values increased by 4.86% for the 2013 tax year and by 24% for 2014. Total property assessments for all property types increased by 1.2% and 1% for tax years 2013 and 2014 respectively.

Major Initiatives

During FY14, the County continued its efforts to create an economic development visioning plan for the Route 3 Corridor 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 (2) 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 charette. The charette 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 fifty (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 Route 3 Steering Committee is initiating a public comment and review period for a working draft of the Germanna-Wilderness Area Plan (GWAP). The Plan is subdivided into eight (8) subareas, each of which represents unique characteristics in existing land uses, natural, cultural, and historic features, infrastructure, and the economic development.

Written public comment is scheduled to begin December 9, 2014 and conclude on January 2, 2015. Once this period is ended, the Steering Committee will review and discuss those comments and by consensus, make modifications to the documents, based on public input, as may be deemed appropriate. Upon completion of this process, the Board of Supervisors, Economic Development Authority, and Planning Commission will receive the Steering Committee's recommended draft plan. The Plan will then be adopted as a part of the Orange County Comprehensive Plan.

The boards' vision includes the following components.

Jobs and Employment

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

Consumer Goods and Services

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

Recreation, Culture and History

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

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



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

Other ongoing projects during the FY14 fiscal year included a School Board project which incorporated an Energy Performance Contract for \$6.2 million. This project was intended to replace and enhance energy-powered equipment and appliances throughout the school system. Specific projects included numerous boiler replacements, lighting improvements, water heater upgrades, water conservation, heat pump replacements, weatherization, and control system upgrades. The projects were financed over fifteen years and the savings is guaranteed by the vendor to fund the future debt service on the obligation. Utility savings during the FY14 fiscal year totaled \$284,640. The vendor for the Energy Performance Contract was pre-approved by the Virginia Department of Mines, Minerals and Energy, and that agency will continue to oversee the project and verify results. At June 30, 2014, the unspent balance of the financing proceeds was \$6,286 and is reflected as restricted fund balance within the school operating fund.

Funds were accumulated over the past several fiscal years in the Landfill Fund to close the existing landfill site and to construct the first cell on the adjacent site. Construction of a new landfill cell was completed during FY13 at a total cost of \$3,382,120. It was developed on the same parcel as the landfill to be closed and will use newer technology to prevent soil and water contamination from runoff. The project included construction of infrastructure to open the entire Landfill site and costs necessary to prepare a first cell for waste disposal activities. The County will eventually construct a total of seven new cells on the parcel which is expected to handle the County's waste disposal needs until the year 2050.

Landfill Project-Cell #1

Capping of the old landfill began in FY14 and was substantially complete during the first part of FY15. The County is required to submit "as-built" documents and an engineer's quality assurance report to the Virginia Department of Environmental Quality for their review before the project can be considered complete and post-closure activities begin.



The County has planned and undertaken several capital improvement projects at the County Airport to improve access, safety and capacity and make the facility a more valuable tool for economic development in the County. During FY14, a taxi lane rehabilitation project was completed and easement acquisition, as a prerequisite for obstruction removal, continued. All obstruction removal activities have now been suspended pending the completion of an Environmental Assessment (EA) which was deemed necessary by the Federal Aviation Administration (FAA). The Environmental Assessment has recently begun and will be completed in FY15 at an estimated cost of \$210,000. Ninety-eight percent of the cost will be funded by state and federal grants. Upon completion of the Environmental Assessment, additional aviation easements across fifteen properties will be acquired and the remaining obstructions removed. This will result in a clear approach to runway 26, at which time a similar project will begin for runway 8.

During FY14, the County continued the replacement of its financial software based on the recommendation of a vendor selection committee. The project affects numerous departments (including schools) and includes various work processes including accounts payable, payroll, budgeting, purchasing, revenue billing and collections, permitting, fixed assets, contracts and grant management. The software being replaced was DOS-based and had been in service at the County since 1991. The new software will enhance reporting capabilities and features self-service options for vendors and employees. At June 30, 2014, implementation was complete for General Ledger, Budget, Accounts Payable, Procurement, Payroll, Position Control, Miscellaneous Receipting, Dog Tags and Fixed Assets. The Tax billing and collection module was implemented on October 6, 2014 with General Billing to follow. The Community Development module (including Building Permits) is scheduled for implementation in May of 2015. The project is anticipated to provide accurate and timely information through more robust reporting for management's decision making, and to ensure fiscal accountability through internal controls and role-based permissions.

Long-Term Financial Planning

Each year, the Finance Department provides a financial forecast of revenue and expenditures to the County Administrator and the Board of Supervisors. The forecast serves as a first step in the budget process for the upcoming fiscal year and is meant to provide a very preliminary view of the County's ability to meet its obligations and funding needs under a prescribed set of assumptions. The most recent forecast was presented on November 12, 2014, and included the following major assumptions:

- All tax rates at current levels
- .5% to 1% increases in assessed values
- 3% increases in other local taxes
- Existing service levels
- No new positions
- Wage market adjustments of 2% annually
- All capital outlay and debt service is projected as proposed in the 2016-2020 Capital Improvement Plan

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

	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020
	Forecast	Forecast	Forecast	Forecast	Forecast
Revenue:					
General Property Taxes	39,509,011	39,897,708	40,288,991	40,684,148	41,083,218
Other Local Taxes	5,284,206	5,442,732	5,606,014	5,774,195	5,947,420
Permits, Fees, License	290,705	296,519	302,450	308,498	314,668
Fines and Forfeitures	60,000	61,800	63,654	65,564	67,531
Use of Money and Property	1,574,300	1,574,950	1,575,607	1,576,270	1,576,939
Charges for Service	2,042,068	2,082,909	2,124,568	2,167,059	2,210,400
Miscellaneous Revenue	180,640	184,253	187,938	191,697	195,531
Recovered Costs	84,500	86,190	87,914	89,672	91,466
State Aid	8,460,225	8,566,916	8,675,545	8,786,155	8,898,778
Federal Grants	2,600	2,600	2,600	2,600	2,600
Transfer In from Other Funds	1,450	1,480	1,509	1,539	1,570
Other	-	-	-	-	-
Total Revenue & Other Sources	57,489,705	58,198,057	58,916,790	59,647,397	60,390,121
Expenditures	58,206,926	58,922,784	61,958,428	62,521,684	64,044,142
Difference	(717,221)	(724,727)	(3,041,638)	(2,874,287)	(3,654,021)
One cent of real estate taxes equals	364,001	367,641	371,317	375,031	378,781
Difference expressed as change in real estate tax	1.97	1.97	8.19	7.66	9.65

Relevant Financial Policies

The Board of Supervisors continued its Fund Balance Policy which sets the minimum level of acceptable unreserved General Fund balance for a fiscal stability reserve at 15% of the combined actual operating expenditures of the General Fund and School Operating Fund (net of inter-fund transfers). In addition, the Board's policy states that unassigned general fund balance should not exceed 18%. At June 30, 2014, unassigned General Fund balance increased slightly from 22.43% to 23.38% of expenditures as defined in the policy. Subsequent to June 30, 2014, carry-forward requests were approved and additional fund balance amounts assigned of \$1,934,212 bringing the percentage to 21.1% of operating expenditures for FY14.

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, 2013. This was the seventh consecutive year the County has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

This report reflects the results of the Board of Supervisors' strong financial policies. The Board's support and cooperation in planning and conducting the financial operations of the County is acknowledged and appreciated. We also acknowledge and extend special recognition to the staffs of the Finance and Treasurer's departments for their efficient and dedicated service to the County. Their efforts to maintain the accounting and financial reporting system of the County have led to the high quality of information being reported to the Board of Supervisors and citizens of the County, as well as present and potential investors.

Respectfully submitted,



R. Bryan David,
County Administrator



Government Finance Officers Association

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

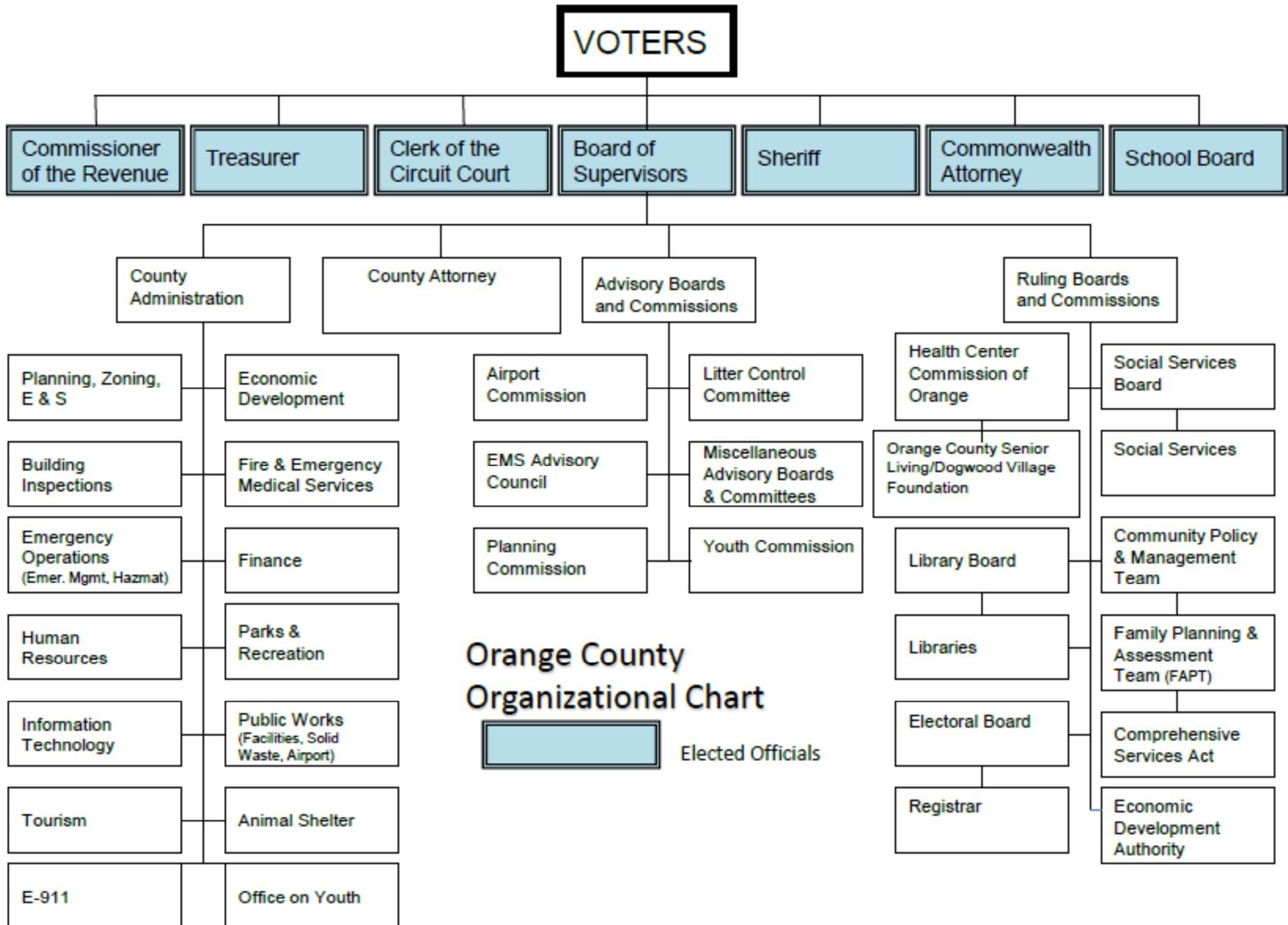
Presented to

**Orange County
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO



COUNTY OF ORANGE, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS
June 30, 2014

BOARD OF SUPERVISORS

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

Shannon C. Abbs

James P. Crozier

James K. White

SCHOOL BOARD

Judy P. Carter, Chair
Sherrie Page, Vice Chair

Carol Couch

Bette Winter

Jim Hopkins

SOCIAL SERVICES BOARD

Nora Coleman, Chair
Pat Nabors, Vice-Chair

Donald Lovelace

Rose Bowman

JoAnn Herndon

OTHER OFFICIALS

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

Judges of the Juvenile & Domestic Relations Court

County Attorney
Commonwealth's Attorney
Interim Commissioner of the Revenue
Treasurer
Sheriff
Interim Superintendent of Schools
Clerk of the School Board
Director of Social Services
County Administrator
Finance Director
School Board Finance Director

Daniel R. Bouton
Teresa T. Carroll
Robert H. Downer, Jr., Edward K. Carpenter,
William G. Barkley and Dale B. Durrer
Richard E. Moore, Edward Dj. Berry,
Edward DeJ. Berry and Frank W. Somerville
Thomas E. Lacheney
Diana Wheeler
Renee Pope
Phyllis M. Yancey
Mark A. Amos
Dr. Brenda Tanner
Laura Byram
Robert D. Lingo
R. Bryan David
Glenda Bradley
Matt Benefield

INDEPENDENT AUDITORS

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

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
County of Orange, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Orange, Virginia (the "County") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Orange, Virginia, as of June 30, 2014, 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.

Change in Accounting Principle

As described in Note 15 to the financial statements, in 2014, the County adopted new accounting guidance, *GASB Statement No. 65, Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, other supplementary information, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2014 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
December 18, 2014

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, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i through vii of this report.

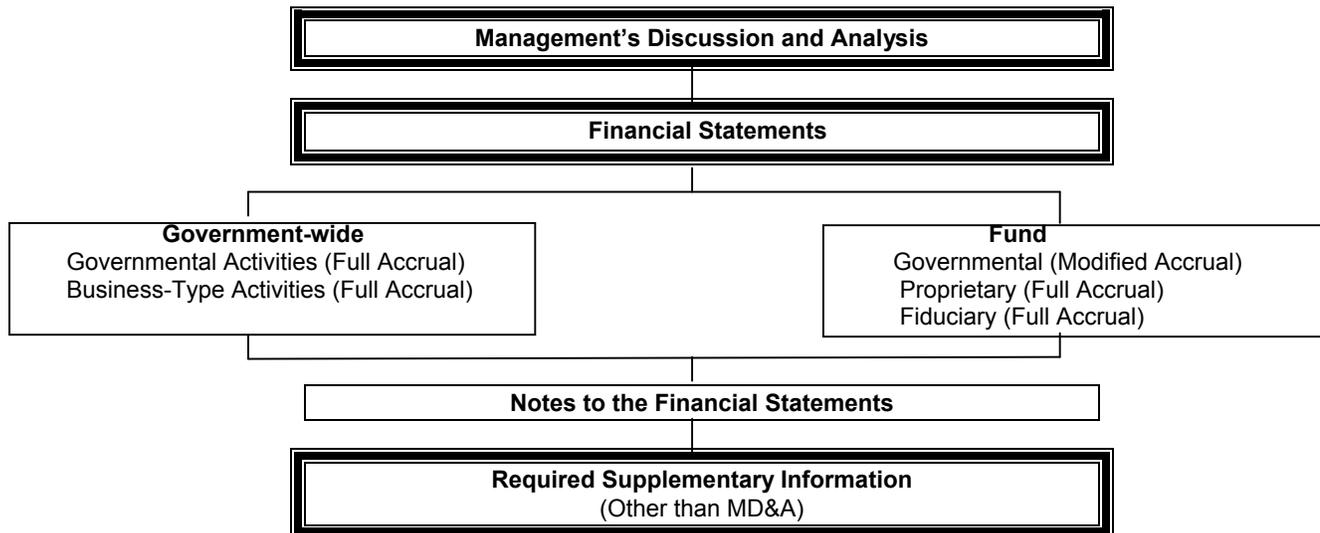
Financial Highlights

- The assets and deferred outflows of resources of the County of Orange (primary government) exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$39,406,173 (*net position*). Of this amount \$24,228,238 resulted from governmental activities and \$15,177,935 from business-type activities.
- On a government-wide basis for governmental activities, the County had expenses net of program revenues of \$42,707,987 which were \$2,933,289 more than the general revenues and transfers of \$45,641,276.
- On a government-wide basis for business-type activities, the County had expenses net of program revenues of \$2,514,026. The net position for business-type activities was reduced by a total of \$438,232 mainly due to expenses in the Landfill fund for the closure of the first landfill cell during FY14.
- At June 30, 2014, unassigned General Fund balance was \$19,919,081 or 23.38% of actual operating expenditures as defined by the County's fund balance policy. Total general fund balance increased by \$1,542,410 from 2013. Actual General Fund revenues exceeded budget estimates (excluding appropriated fund balance) by \$888,300 and actual General Fund expenditures were less than budget estimates by \$3,564,970. The revised FY14 budget included a total of \$2,916,773 in appropriated fund balance that was not ultimately used due to the favorable budget-to-actual variances. It should be noted, that although the *original* FY15 budget includes no appropriation of fund balance, part of the unassigned fund balance will be carried forward for ongoing projects in FY15.

Using the Comprehensive Annual Financial Report

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

Components of the Financial Section



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

Government-wide Financial Statements

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

The two government-wide statements, the Statement of Net Position and the Statement of Activities, report the County's net position and changes in it. The County's net position can be thought of as the difference between assets, 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 and judicial administration, public safety, parks and recreation, and community development.
- **Business-Type Activities:** These activities charge fees to customers to help cover the costs of the service. The County's Airport and Landfill Funds are the two business-type activities for Orange County.
- **Component Units:** The Orange County Public School Board and the Economic Development Authority are component units of the County. Component units are legally separate entities, but are reported in the County's financial statements because the County is financially accountable and provides operating and capital funding.

Fund Financial Statements

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

- **Governmental Funds:** The governmental funds report most of the County's basic services. The governmental funds serve essentially the same function as the governmental activities in the government-wide financial statements. The governmental fund financial statements focus on near-term cash flows and the amount of spendable resources available at the end of the fiscal year. It provides the reader a short-term view of the financial position. Since the information provides a narrow focus, the government-wide statements will provide additional information. Reconciliation from the fund statements is provided to facilitate this comparison.
- **Proprietary Funds:** There are two types of proprietary funds: Enterprise Funds and Internal Service Funds. Enterprise funds report the same functions as the business-type activities in the government-wide financial statements. Internal service funds account for the goods and services provided by one department or agency to other departments or agencies of the County. The County of Orange currently has two Enterprise Funds and 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 pages 16-49 of this report.

Other Information

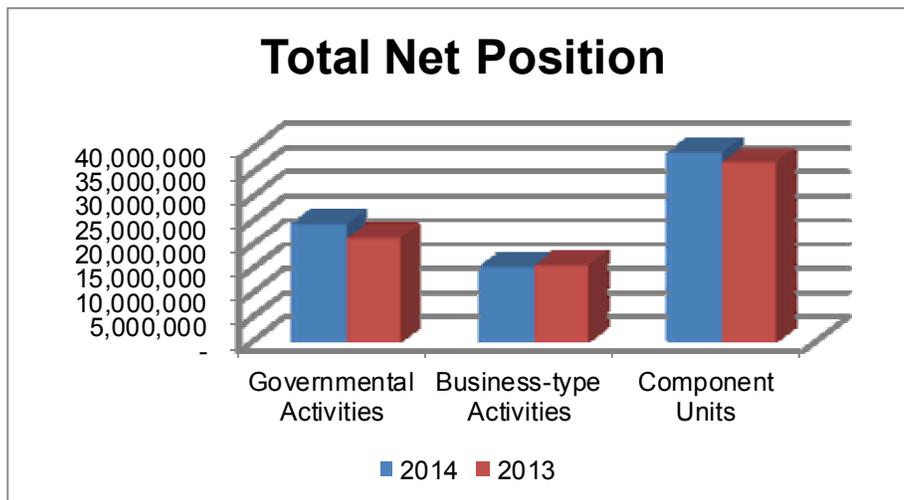
In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning Orange County's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found in the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

The combining statements in connection with non-major governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be 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	
	2014	2013	2014	2013	2014	2013
Current and Other Assets	\$ 47,804,550	\$ 43,464,160	\$ 3,427,803	\$ 4,991,325	\$ 6,334,161	\$ 12,173,357
Capital Assets (net)	65,320,562	70,362,968	14,827,910	14,999,322	48,291,867	40,871,083
Total Assets	113,125,112	113,827,128	18,255,713	19,990,647	54,626,028	53,044,440
Total Deferred Outflows of Resources	289,672	314,665	-	-	-	-
Long-term Liabilities	84,174,255	89,782,530	2,487,000	4,229,260	10,820,867	10,711,188
Other Liabilities	4,417,936	2,569,771	590,778	145,220	4,773,723	5,259,281
Total Liabilities	88,592,191	92,352,301	3,077,778	4,374,480	15,594,590	15,970,469
Total Deferred Inflows of Resources	594,355	494,543	-	-	-	-
Net Position:						
Net investment in Capital Assets	2,016,519	1,712,393	14,827,910	14,999,322	41,720,107	38,922,773
Restricted for Capital Projects	155,000	155,000	-	-	-	-
Unrestricted (deficit)	22,056,719	19,427,556	350,025	616,845	(2,688,669)	(1,848,802)
Total Net Position	\$ 24,228,238	\$ 21,294,949	\$ 15,177,935	\$ 15,616,167	\$ 39,031,438	\$ 37,073,971



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

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

	Primary Government					
	Governmental Activities		Business-type Activities		Component Units	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program Revenues						
Charges for Service	\$ 3,308,356	\$ 3,001,435	\$ 755,535	\$ 708,853	\$ 646,424	\$ 855,198
Operating Grants & Contributions	5,760,431	5,198,455	9,115	24,513	29,009,012	28,613,741
Capital Grants & Contributions	540,000	-	553,624	475,995	-	-
General Revenues						
Real Estate & Personal Property Taxes	37,715,684	35,876,658	-	-	-	-
Other Taxes	6,599,085	6,341,665	-	-	-	-
Payments from Primary Government	-	-	-	-	19,801,398	19,683,482
Non-restricted Grants	2,878,322	3,038,845	-	-	-	-
Use of Property & Money	133,126	192,056	-	56,516	3,972	20,121
Miscellaneous	349,951	304,803	40,902	-	288,061	600,222
Total Revenues	57,284,955	53,953,917	1,359,176	1,265,877	49,748,867	49,772,764
Expenses:						
General Administration	3,179,303	3,248,756	-	-	601,885	17,330
Judicial Administration	1,550,961	1,555,502	-	-	-	-
Public Safety	10,514,385	10,415,818	-	-	-	-
Public Works	842,455	920,361	-	-	-	-
Health & Welfare	5,661,805	5,677,690	-	-	-	-
Education	24,173,025	24,769,534	-	-	47,189,515	46,634,507
Parks, Recreation, and Cultural	1,232,679	1,220,114	-	-	-	-
Community Development	1,506,917	1,025,612	-	-	-	-
Interest on Long-Term Debt	3,655,244	3,928,975	-	-	-	-
Airport	-	-	983,900	916,700	-	-
Landfill	-	-	2,848,400	2,276,549	-	-
Total Expenses	52,316,774	52,762,362	3,832,300	3,193,249	47,791,400	46,651,837
Excess (deficiency) before Transfers	4,968,181	1,191,555	(2,473,124)	(1,927,372)	1,957,467	3,120,927
Transfers In (Out)	(2,034,892)	(2,852,270)	2,034,892	2,852,270	-	-
Change in Net Position	2,933,289	(1,660,715)	(438,232)	924,898	1,957,467	3,120,927
Net Position Beginning, As Adjusted	21,294,949	22,955,664	15,616,167	14,691,269	37,073,971	33,953,044
Net Position, Ending	\$ 24,228,238	\$ 21,294,949	\$ 15,177,935	\$ 15,616,167	\$ 39,031,438	\$ 37,073,971

Net Position

The Primary Government's governmental net position increased by \$2,933,289 or 14.1% during the year ended June 30, 2014. This increase was partially due to real estate tax revenue collected for the first half of the 2014 levy which was based on a tax increase that was not anticipated at the time of budget adoption. A portion of the increase was due to a favorable variance between budgeted and actual expenditures in the County's General Fund. The County's net position decreased in the business-type activities' due to expenses associated with the closure of the landfill's original cell. Net position in the County's component units increased by a total of \$1,957,467 during FY14. The previous year's increase in net position for the County's component units was \$3,120,927.

Unrestricted governmental net position increased by \$2,629,163. Restricted governmental net position of \$155,000 represents Wal-Mart proffers for future capital improvements. Although cash and cash equivalents increased by \$4,540,758 in the Primary Government's governmental activities, it decreased by \$1,695,090 in the business-type activities mainly because of the landfill closure project. These funds were previously accumulated in the Landfill Fund in order to fund this project without debt issuance. There were also investments during FY14 to rehabilitate a taxi lane and to acquire easements for the Airport as the County continued its efforts to improve accessibility and safety. Funding for these projects is primarily from federal and state grants, but usually requires a local match.

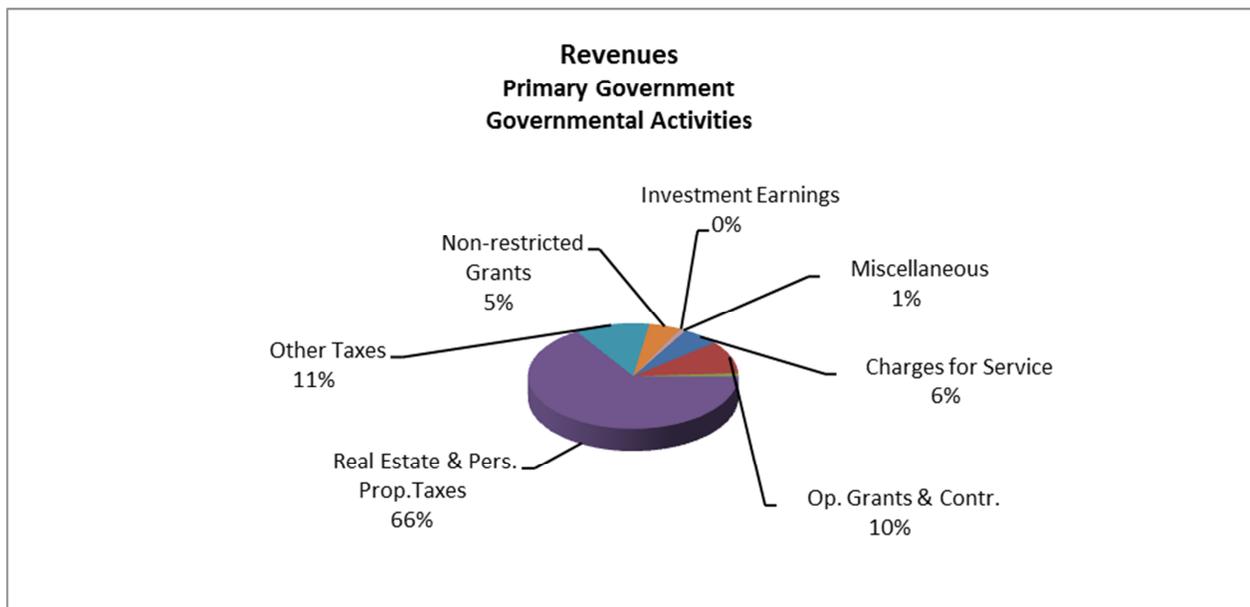
Revenues

For the fiscal year ended June 30, 2014, revenues generated by the Primary Government's governmental activities totaled \$57,284,955. General property taxes, the County's largest revenue source, were \$37,715,684. Included in this total are real and personal property levies, which are due on June and December 5th each year. The real estate tax rate for FY14 was \$0.72 per \$100 of assessed value for the 2nd half of the 2013 tax levy and \$0.804 per \$100 of assessed value for the 1st half of the 2014 tax levy. The 8.4 cent increase was primarily intended to fund a number of deferred capital projects scheduled for FY15 and to increase operational funding for the school system. Because the first installment was due prior to the end of FY14, revenues resulting from the tax increase offset the need to use previously appropriated general fund balance.

FY14 continues to reflect the changes in the Personal Property Tax Relief Act (PPTRA) that were approved by the General Assembly in 2005. This legislation capped the amount localities receive from the state. The new legislation established a fixed amount to be provided to localities for funding tax relief for vehicles valued at less than \$20,000. The new PPTRA became effective with the 2006 tax year and is based on the amount collected for 2004 taxes through December 2005. The total amount Orange County receives under the new program is \$2,763,073. This amount enabled the County to provide car tax relief of 36% up to the first \$20,000 in value for FY14.

The other local tax category includes sales tax, consumer utilities tax, occupancy tax, recordation tax, motor vehicle license tax, and food and beverage tax. This category of income reflects an overall increase of \$257,420 over the previous year. This amount reflects the combination of an increase in sales tax of \$268,595 (which included the opening of Wal-Mart within the County) and decreases in several other areas of local taxes including Utility Taxes and Recordation Taxes. Utility Tax revenue was lower by 1.5% or \$31,235. Recordation Tax revenue was lower by \$25,541 or 5.5%.

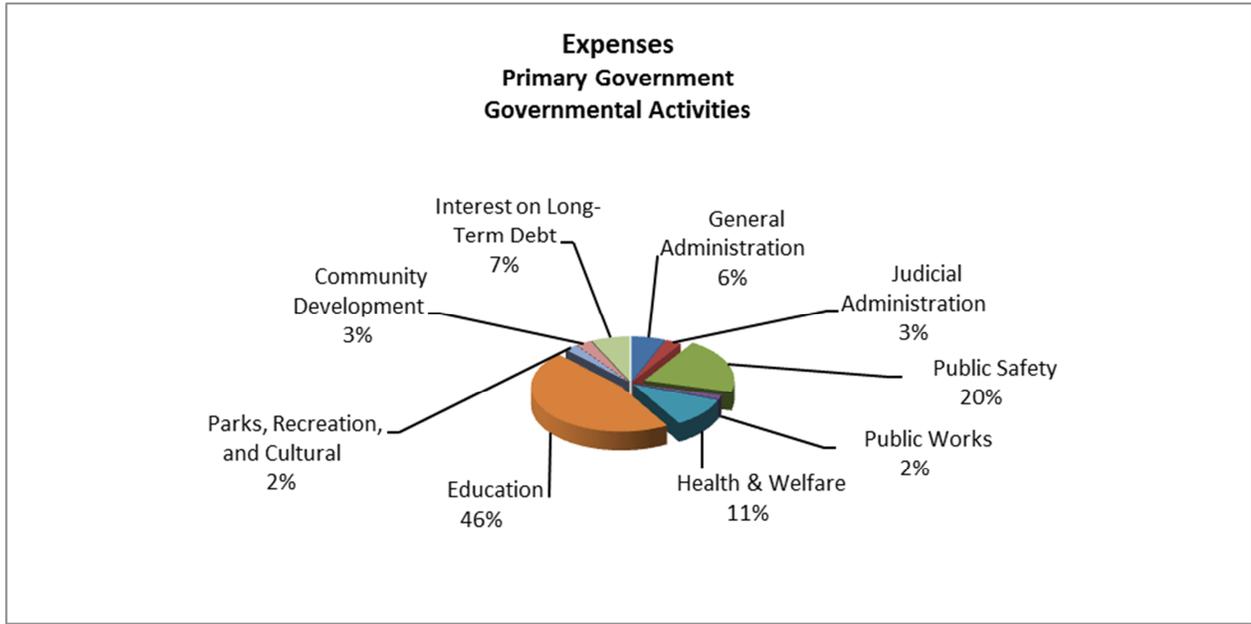
Program revenues are derived from the program itself and reduce the cost of the function to the County. This category includes user fees and operating and capital grant revenues. Total program revenues for governmental activities were \$9,608,787, an increase of \$1,408,897 over the previous year. Program revenues in the governmental funds include a "charges for services" category that totaled \$3,308,356 and includes charges for ambulance fees, recreation and childcare programs, and building permits. This category reflects an increase over the prior year of 10.2% which was distributed across functional areas of expenditures. Operating grant revenue increased by \$561,976 over the prior year, primarily in the areas of Public Safety and Health and Welfare. A capital grant of \$540,000 was received from the Governor's Opportunity Fund for an economic development project during FY14 that includes a large capital investment and 323 new jobs within the County. Proprietary funds generated program revenues of \$755,535 from user charges and \$562,739 in grant revenues, up 6.6% and 12.4% respectively from the prior year.



Expenses

For the fiscal year ended June 30, 2014, expenses for governmental activities totaled \$52,316,774, a decrease of \$445,588. Expenses include the cost of employee compensation, contributions to the school board, and interest on governmental debt. The largest decrease is reflected in the Education category which is due to the fact that FY13 expenses included a short-term capacity expansion project at the Orange County High School. Almost every other expense category reflects declines for FY14, however there were modest increases in Public Safety and Parks, Recreation and Cultural of approximately 1%.

Personnel expenses for FY14 included a 2% salary adjustment for full and part-time personnel and an increase of 8.7% in health insurance premiums. Retirement contributions totaled 17.06% of creditable compensation, 5% of which was paid by employee payroll deductions. Four new positions were created in FY14; however the expenses were offset to some degree by the elimination of four part-time positions. Three of the four new positions were transitioned from part-time to full-time as a result of part-time hours restrictions related to the requirements of the Affordable Care Act.



In General Administration, a decrease of \$69,453 was due to lower legal services expenses as the County transitioned from a full-time in-house position to a contracted attorney. Public Safety reflects an increase of \$98,567 in expenses within the governmental activities due mainly to increases in personnel-related costs. In the Public Safety function, personnel expenses made up 66% of the total expenditures. Public Works expenses within governmental activities decreased by \$77,906 due to a decrease in repairs and maintenance expenses on County Buildings. The increase in the Parks, Recreation and Cultural category was primarily due to an increase in data processing expenses for the County's library system. Community Development reflects the pass-through payment of \$540,000 in state grant proceeds for an Economic Development project. Interest expenses on long-term debt declined by \$273,731 for the year as outstanding debt balances decreased.

The County's Proprietary Funds reflect a total of \$3,832,300 in expenses compared to \$3,193,249 for FY13. The difference can be attributed to costs associated with the closure of the old landfill site as the County transitioned its solid waste disposal to the newly constructed landfill cell. Airport expenses also increased mainly in the area of grounds and building maintenance.

Financial Analysis of the Government's Funds

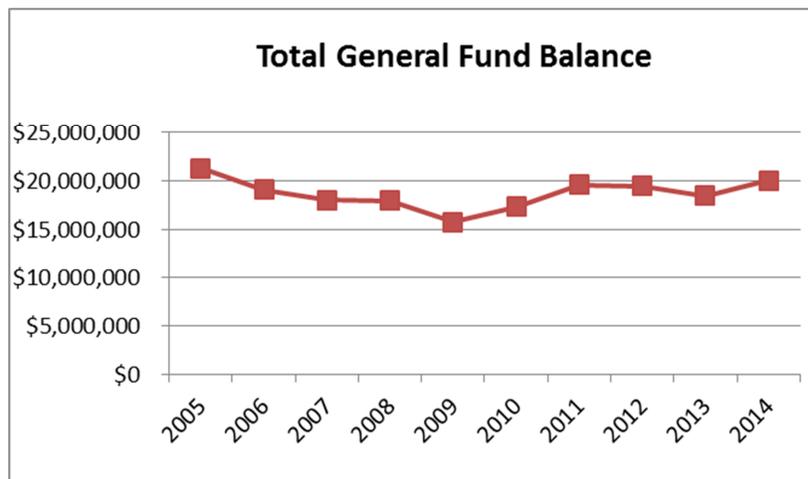
As noted earlier, the County of Orange uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

For the fiscal year ended June 30, 2014, the County's governmental funds reflect a combined fund balance of \$22,661,389, some of which is reserved for specific purposes such as capital outlay and debt service. The increase of \$1,642,888 over FY13 is concentrated in the General fund and due to a combination of positive variances between budgeted and actual revenues and expenses and the additional revenue that was generated by a real estate tax rate increase approved in the spring of 2014. The revenue from this increase was not anticipated when the FY14 budget was developed and was adopted in advance of the FY15 budget in order to generate additional revenue for specific capital projects and to create additional operational funding for the Orange County Public Schools. Although the revised FY14 budget anticipated the use of \$2,916,773 in General Fund reserves, these same two factors eliminated the need for that use. General Fund revenues came in \$888,300 higher than the amended budget and expenditures were \$3,564,970 less than budgeted appropriations. This variance in expenditures is due to ongoing efforts by County departments and the School Board to limit expenditures as much as possible in light of the sluggish pace of economic recovery. It should also be noted that \$1,934,212 of these unspent expenditure balances will be re-appropriated for projects that continued into FY15.

Fund Balance in the Virginia Public Assistance Fund decreased by \$64,743 due to the timing of expenditures and revenue reimbursements. Fund Balance in the Debt Service Fund remained at zero because it is normally funded solely by transfers from the General Fund in an amount equal to the annual debt service due. Fund Balance in the School Capital Project Fund remained unchanged and increased in the County Capital Project Fund by \$165,385. This amount is assigned to specific capital projects as they were approved in the adopted Capital Improvements Plan.

The School Operating Fund has not historically accumulated a separate fund balance; therefore general fund balance must be sufficient to cover unexpected cash flow needs and lagging revenue collections when necessary. The restricted fund balance of \$6,286 within the School Operating Fund at June 30, 2014 represents financing proceeds from an Energy Performance Contract for which projects were ongoing at the close of the fiscal year. These projects are anticipated to produce amounts from energy savings sufficient to service the associated debt in future years.

In the General Fund, unassigned fund balance is \$19,919,081. The Board of Supervisors has established a fund balance policy which sets the minimum level of acceptable unreserved General Fund balance at 15% of the combined actual operating expenditures of the General Fund and School Operating Fund (net of interfund transfers). In addition, the Board's policy states that unassigned General Fund balance should not exceed 18%. At June 30, 2014, unassigned General Fund balance increased from 22.43% of expenditures to 23.38% as defined in the policy. Subsequent to June 30, 2014, carry-forward requests were approved and additional fund balance amounts assigned of \$1,934,212 bringing the percentage to 21.1% of operating expenditures for FY14.



General Fund Budgetary Highlights

Differences between the original operating budget and the final operating budget resulted in a net increase of \$3,783,277 in additional appropriations. Highlights of the budget amendments are as follows:

Budget Amendment	Amount
School Board carryover requests for ongoing projects	\$ 1,505,651
General Fund carryover requests for ongoing projects	589,237
Governors Opportunity Fund Grant Economic Devpt. Project	540,000
Fund 2% market adjustment for wages	262,032
Emergency Purchase of Ambulance	250,000
Fund accrual for transition to bi-weekly payroll schedule	245,286
Reopen Locust Grove Childcare Center	55,005
Donations for Animal Shelter generator project	37,000
Byrne Equipment Grant for Law Enforcement	25,002
Virginia Tourism Corporation Grant	25,000
Fire Programs Revenue	21,163
Library E-rate Grant	20,677

As detailed above, the largest budget amendment was for the carry forward of unspent funds from FY13 for Orange County Public Schools. The request funded the continuation of several capital projects including replacing bathrooms and concessions at the football and baseball fields, completing the capacity expansion project at the high school, replacing a water tank, upgrading tennis courts, replacing portable bleachers, and a number of other improvements. In addition to the funds carried over for previously approved capital projects, most of the school operational savings was re-appropriated in order to address additional school projects including window replacements at Locust Grove Elementary and Orange Elementary and to prepare the previously closed Locust Grove Middle School for reopening in September, 2014. A total of \$169,952 was included in this amendment for instructional and facility expenses (to paint school interiors).

General Fund carryover appropriations included \$47,510 for ongoing GIS parcel updates, \$41,896 in ongoing building maintenance projects, \$40,061 in human resource programs, and \$69,798 in savings as additional funding for capital projects in FY14. Also included were funds to replace VOIP switches for ongoing Information Technology projects, \$25,000 in advertising appropriations related to ads for the Comprehensive Plan, zoning and ordinance changes. The carryover amendment included funds for the purchase of a van for the Department of Youth as well as funds for ongoing grant programs and programs funded by donations.

After reviewing the financial results for FY13, the Board of Supervisors appropriated funds for the implementation of a 2% market wage adjustment and also amended the budget to reflect the County's move to a bi-weekly payroll schedule which resulted in an accrual period for FY14. Due to a series of costly repairs to the existing ambulances, the Board also amended the budget to expedite the purchase of one new ambulance during FY14 from an appropriation of General Fund balance.

Capital Assets

The County of Orange's investment in capital assets for its governmental and business-type activities as of June 30, 2014, amounts to \$80,148,472 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, landfill development, buildings and systems, improvements, machinery and equipment, harbor, and park facilities.

Orange County, VA
Primary Government
Change in Capital Assets

	Balance June 30, 2013	Net Increase/ (Decrease)	Balance June 30, 2014
Governmental Activities:			
Non-Depreciable Assets:			
Land and Land Improvements	\$ 1,052,417	\$ -	\$ 1,052,417
Construction in Progress	299,285	185,446	484,731
School CIP Allocated to County	-	-	-
Other Capital Assets:			
Buildings & Other Improvements	18,019,294	87,255	18,106,549
School Buildings & Improvements	58,321,695	(4,338,636)	53,983,059
Furniture and Other Equipment	8,664,478	885,235	9,549,713
Less: Accumulated Depreciation	(15,994,201)	(1,861,706)	(17,855,907)
Business-type Activities:			
Non-Depreciable Assets:			
Land and Land Improvements	1,603,822	226,081	1,829,903
Construction in Progress	310,491	19,761	330,252
Other Capital Assets:			
Buildings & Other Improvements	11,237,243	379,009	11,616,252
Landfill Development Costs	3,349,705	-	3,349,705
Furniture and Other Equipment	1,106,869	18,009	1,124,878
Less: Accumulated Depreciation	(2,619,126)	(803,954)	(3,423,080)
Net Capital Assets	\$ 85,351,972	\$ (5,203,500)	\$ 80,148,472

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

Long-Term Debt

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

The County occasionally uses lease-purchase financing (capital leases) to acquire large equipment items as approved in the annual operating budget process. The County currently has three such leases outstanding which were for the purchase of two fire trucks in 2008 for a ten-year term at 3.57% interest, for a bundle of equipment purchased in FY13 including financial software, a VOIP telephone system, wireless radios and a generator, and for Vesta Pallas software for the E-911 Department. The FY13 equipment lease carries an interest rate of 1.78% over a five-year term and the FY14 lease for the E-911 Software is for four years at 0% interest.

The School Board also occasionally uses lease-purchase financing to acquire large equipment items. The School Board entered one such lease during FY12 for the purchase of a telephone system with an amount of \$1,152,889 for a five-year term at 3.0% interest. During FY13, the School Board entered an Energy Performance Contract for \$6,198,242 at an interest rate of 2.59% over a fifteen-year term. The proceeds from this issue will be spent to acquire energy-saving equipment throughout the division which will generate energy savings over the term in amounts sufficient to fund the debt service.

The County’s 2007 Lease-Revenue Bond Issue for the Courthouse and Assisted Living Facility was reviewed in late 2013 and upgraded by Standard & Poor’s from A+ to AA-. The County’s General Obligation bond rating was also issued with a grade of AA.

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

The Primary Government’s outstanding debt at June 30, 2014 is as follows:

General Obligation Bonds		
Series 2001	\$	13,180,000
Series 2005		491,627
School Bond Series 2005D		8,586,290
General Obligation Bond Premiums		2,121,769
Virginia Public School Authority Bonds (VPSA)		
Series 1995 A		50,000
Series 2000 B		1,065,000
Series 2002		910,000
Series 2007 B		3,640,000
Series 2009 B		24,430,000
Lease Revenue Bonds		
Series 2007		27,160,000
Series 2007 Discount		(493,834)
Capital Leases		1,310,883
Landfill closure and post-closure care liability		2,406,000
Net OPEB Obligation		883,119
Compensated Absences		920,401
Grand Total	\$	86,661,255

The Component Unit School Board's outstanding debt at June 30, 2014 is as follows:

Capital Leases	\$	6,851,135
Net OPEB Obligation		2,299,746
Compensated Absences		1,669,986
Grand Total	\$	10,820,867

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

Requests for Information

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



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BASIC FINANCIAL STATEMENTS



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**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**



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COUNTY OF ORANGE, VIRGINIA

STATEMENT OF NET POSITION
June 30, 2014

	Primary Government			Discretely Presented Component Unit	
	Governmental Activities	Business-Type Activities	Total	School Board	EDA
ASSETS					
Cash and cash equivalents (Note 3)	\$ 23,991,140	\$ 3,152,585	\$ 27,143,725	\$ 1,829,498	\$ 1,396,753
Receivables, net (Note 4):					
Taxes receivable	2,061,863	-	2,061,863	-	-
Accounts receivable	1,174,920	37,358	1,212,278	1,130,060	-
Due from other governments (Note 5)	1,718,607	193,374	1,911,981	1,698,475	-
Inventories	-	44,486	44,486	-	-
Note receivable (Note 1)	18,580,000	-	18,580,000	-	-
Restricted assets (Note 3):					
Cash and cash equivalents	278,020	-	278,020	279,375	-
Capital assets (Note 7):					
Nondepreciable	1,537,148	2,160,155	3,697,303	8,163,958	129,172
Depreciable, net	63,783,414	12,667,755	76,451,169	39,998,737	-
Total assets	113,125,112	18,255,713	131,380,825	53,100,103	1,525,925
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	289,672	-	289,672	-	-
	289,672	-	289,672	-	-
LIABILITIES					
Accounts payable and accrued liabilities	2,713,954	590,778	3,304,732	4,560,457	14,418
Accrued interest payable	1,703,982	-	1,703,982	198,848	-
Long-term liabilities (Notes 8 and 11):					
Due within one year	6,271,248	529,978	6,801,226	770,771	-
Due in more than one year	77,903,007	1,957,022	79,860,029	10,050,096	-
Total liabilities	88,592,191	3,077,778	91,669,969	15,580,172	14,418
DEFERRED INFLOWS OF RESOURCES					
Property taxes paid in advance	594,355	-	594,355	-	-
	594,355	-	594,355	-	-
NET POSITION					
Net investment in capital assets	2,016,519	14,827,910	16,844,429	41,590,935	129,172
Restricted for capital projects	155,000	-	155,000	-	-
Unrestricted (deficit)	22,056,719	350,025	22,406,744	(4,071,004)	1,382,335
Total net position	\$ 24,228,238	\$ 15,177,935	\$ 39,406,173	\$ 37,519,931	\$ 1,511,507

COUNTY OF ORANGE, VIRGINIA

STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Discretely Presented Component Units	
					Governmental Activities	Business-Type Activities	Total	School Board	EDA
Primary Government:									
Governmental activities:									
General government	\$ 3,179,303	\$ 1,093,314	\$ 258,474	\$ -	\$ (1,827,515)		\$ (1,827,515)	\$ -	\$ -
Judicial administration	1,550,961	364,960	488,456	-	(697,545)		(697,545)	-	-
Public safety	10,514,385	1,504,002	1,908,659	-	(7,101,724)		(7,101,724)	-	-
Public works	842,455	-	-	-	(842,455)		(842,455)	-	-
Health and welfare	5,661,805	2,523	2,927,651	-	(2,731,631)		(2,731,631)	-	-
Education	24,173,025	222,483	-	-	(23,950,542)		(23,950,542)	-	-
Parks, recreation, and cultural	1,232,679	121,074	177,191	-	(934,414)		(934,414)	-	-
Community development	1,506,917	-	-	540,000	(966,917)		(966,917)	-	-
Interest on long-term debt	3,655,244	-	-	-	(3,655,244)		(3,655,244)	-	-
Total governmental activities	<u>52,316,774</u>	<u>3,308,356</u>	<u>5,760,431</u>	<u>540,000</u>	<u>(42,707,987)</u>		<u>(42,707,987)</u>	<u>-</u>	<u>-</u>
Business-type activities									
Airport	983,900	429,389	-	553,624		(887)	(887)	-	-
Landfill	2,848,400	326,146	9,115	-		(2,513,139)	(2,513,139)	-	-
Total business-type activities	<u>3,832,300</u>	<u>755,535</u>	<u>9,115</u>	<u>553,624</u>		<u>(2,514,026)</u>	<u>(2,514,026)</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 56,149,074</u>	<u>\$ 4,063,891</u>	<u>\$ 5,769,546</u>	<u>\$ 1,093,624</u>	<u>(42,707,987)</u>	<u>(2,514,026)</u>	<u>(45,222,013)</u>	<u>-</u>	<u>-</u>
Component Unit:									
School Board	\$ 47,189,515	\$ 646,424	\$ 29,009,012	\$ -				(17,534,079)	-
Economic Development Authority	601,885	-	-	-				-	(601,885)
Total component units	<u>\$ 47,791,400</u>	<u>\$ 646,424</u>	<u>\$ 29,009,012</u>	<u>\$ -</u>				<u>(17,534,079)</u>	<u>(601,885)</u>
General revenues:									
General property taxes					37,715,684	-	37,715,684	-	-
Other local taxes:									
Local sales and use					2,249,569	-	2,249,569	-	-
Consumer's utility tax					2,004,316	-	2,004,316	-	-
Consumption taxes					99,172	-	99,172	-	-
Motor vehicle license taxes					960,387	-	960,387	-	-
Taxes on recordation and wills					434,981	-	434,981	-	-
Restaurant food taxes					713,125	-	713,125	-	-
Other taxes					137,535	-	137,535	-	-
Unrestricted revenues from use of money and property					133,126	-	133,126	58	3,914
Miscellaneous					349,951	40,902	390,853	288,061	-
County contribution					-	-	-	19,201,455	599,943
Grants and contributions not restricted to specific programs					2,878,322	-	2,878,322	-	-
Transfers (Note 6)					(2,034,892)	2,034,892	-	-	-
Total general revenues and transfers					<u>45,641,276</u>	<u>2,075,794</u>	<u>47,717,070</u>	<u>19,489,574</u>	<u>603,857</u>
Change in net position					2,933,289	(438,232)	2,495,057	1,955,495	1,972
NET POSITION AT JULY 1, as restated (Note 15)					<u>21,294,949</u>	<u>15,616,167</u>	<u>36,911,116</u>	<u>35,564,436</u>	<u>1,509,535</u>
NET POSITION AT JUNE 30					<u>\$ 24,228,238</u>	<u>\$ 15,177,935</u>	<u>\$ 39,406,173</u>	<u>\$ 37,519,931</u>	<u>\$ 1,511,507</u>

FUND
FINANCIAL STATEMENTS

COUNTY OF ORANGE, VIRGINIA

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	General	Virginia Public Assistance	Debt Service	County Capital Projects	School Capital Projects	Other Governmental Funds	Total
ASSETS							
Cash and cash equivalents (Note 3)	\$ 19,755,545	\$ -	\$ -	\$ 2,165,224	\$ 16,645	\$ 71,054	\$ 22,008,468
Receivables, net (Note 4):							
Taxes receivable	2,061,863	-	-	-	-	-	2,061,863
Accounts receivable	1,163,460	-	-	11,460	-	-	1,174,920
Due from other governments (Note 5)	772,155	232,504	-	199,466	-	-	1,204,125
Due from other funds	110,350	-	-	-	-	-	110,350
Note receivable (Note 1)	18,580,000	-	-	-	-	-	18,580,000
Restricted assets:							
Cash and cash equivalents (Note 3)	-	-	-	278,020	-	-	278,020
Total assets	<u>\$ 42,443,373</u>	<u>\$ 232,504</u>	<u>\$ -</u>	<u>\$ 2,654,170</u>	<u>\$ 16,645</u>	<u>\$ 71,054</u>	<u>\$ 45,417,746</u>
LIABILITIES							
Accounts payable and accrued expenditures	\$ 1,368,803	\$ -	\$ -	\$ 190,172	\$ -	\$ 5,764	\$ 1,564,739
Due to other funds	-	110,350	-	-	-	-	110,350
Total liabilities	<u>1,368,803</u>	<u>110,350</u>	<u>-</u>	<u>190,172</u>	<u>-</u>	<u>5,764</u>	<u>1,675,089</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable/unearned revenue	21,081,268	-	-	-	-	-	21,081,268
Total deferred inflows of resources	<u>21,081,268</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,081,268</u>
FUND BALANCES (Note 14)							
Restricted	-	-	-	448,020	-	-	448,020
Committed	71,125	122,154	-	-	-	65,290	258,569
Assigned	3,096	-	-	2,015,978	16,645	-	2,035,719
Unassigned	19,919,081	-	-	-	-	-	19,919,081
Total fund balances	<u>19,993,302</u>	<u>122,154</u>	<u>-</u>	<u>2,463,998</u>	<u>16,645</u>	<u>65,290</u>	<u>22,661,389</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 42,443,373</u>	<u>\$ 232,504</u>	<u>\$ -</u>	<u>\$ 2,654,170</u>	<u>\$ 16,645</u>	<u>\$ 71,054</u>	<u>\$ 45,417,746</u>

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

COUNTY OF ORANGE, VIRGINIA

**RECONCILIATION TO THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2014**

Total fund balances per Exhibit 3 – Balance Sheet – Governmental Funds	\$ 22,661,389
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.	65,320,562
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	21,001,395
Deferred refunding charges are not financial resources and, therefore, not reported in the funds	289,672
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Bonds payable, net of premiums and discounts	(81,140,851)
Accrued interest payable	(1,703,982)
Capital leases payable	(1,310,884)
Other post-employment benefits	(851,241)
Compensated absences	(871,279)
Internal service funds are used by management to charge the costs of certain employee benefits. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.	<u>833,457</u>
Net position of governmental activities	<u><u>\$ 24,228,238</u></u>

COUNTY OF ORANGE, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2014

	General	Virginia Public Assistance	Debt Service	County Capital Projects	School Capital Projects	Other Governmental Funds	Total
REVENUES							
General property taxes	\$ 37,312,103	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 37,312,103
Other local taxes	6,599,085	-	-	-	-	-	6,599,085
Permits, privilege fees, and regulatory licenses	321,965	-	-	-	-	-	321,965
Fines and forfeitures	96,143	-	-	-	-	-	96,143
Revenue from the use of money and property	133,083	-	-	-	-	43	133,126
Charges for services	1,828,432	-	-	-	-	6,360	1,834,792
Miscellaneous	286,978	248	-	62,725	-	-	349,951
Recovered costs	1,658,315	-	-	-	-	-	1,658,315
Intergovernmental revenues:							
Commonwealth	6,855,670	860,302	-	259,802	-	11,084	7,986,858
Federal	36,067	1,155,828	-	-	-	-	1,191,895
Total revenues	<u>55,127,841</u>	<u>2,016,378</u>	<u>-</u>	<u>322,527</u>	<u>-</u>	<u>17,487</u>	<u>57,484,233</u>
EXPENDITURES							
Current:							
General government	2,793,382	-	-	-	-	-	2,793,382
Judicial administration	1,533,675	-	-	-	-	8,764	1,542,439
Public safety	10,475,096	-	-	-	-	7,437	10,482,533
Public works	842,977	-	-	-	-	-	842,977
Health and welfare	2,722,475	2,970,694	-	-	-	-	5,693,169
Education	18,797,342	-	-	404,113	-	-	19,201,455
Parks, recreation, and cultural	1,201,478	-	-	-	-	-	1,201,478
Community development	1,507,750	-	-	-	-	-	1,507,750
Nondepartmental	74,854	-	-	-	-	-	74,854
Capital projects	-	-	-	1,062,318	-	-	1,062,318
Debt service (Note 9):							
Principal retirement	-	-	5,469,436	-	-	-	5,469,436
Interest and other fiscal charges	-	-	3,990,869	-	-	-	3,990,869
Total expenditures	<u>39,949,029</u>	<u>2,970,694</u>	<u>9,460,305</u>	<u>1,466,431</u>	<u>-</u>	<u>16,201</u>	<u>53,862,660</u>
Excess (deficiency) of revenues over expenditures	<u>15,178,812</u>	<u>(954,316)</u>	<u>(9,460,305)</u>	<u>(1,143,904)</u>	<u>-</u>	<u>1,286</u>	<u>3,621,573</u>
OTHER FINANCING SOURCES (USES)							
Transfers in (Note 6)	1,450	889,573	9,460,305	1,253,082	-	-	11,604,410
Transfers out (Note 6)	(13,637,852)	-	-	-	-	(1,450)	(13,639,302)
Proceeds from issuance of capital lease (Note 9)	-	-	-	56,207	-	-	56,207
Total other financing sources (uses)	<u>(13,636,402)</u>	<u>889,573</u>	<u>9,460,305</u>	<u>1,309,289</u>	<u>-</u>	<u>(1,450)</u>	<u>(1,978,685)</u>
Net change in fund balance	1,542,410	(64,743)	-	165,385	-	(164)	1,642,888
FUND BALANCES AT JULY 1	<u>18,450,892</u>	<u>186,897</u>	<u>-</u>	<u>2,298,613</u>	<u>16,645</u>	<u>65,454</u>	<u>21,018,501</u>
FUND BALANCES AT JUNE 30	<u>\$ 19,993,302</u>	<u>\$ 122,154</u>	<u>\$ -</u>	<u>\$ 2,463,998</u>	<u>\$ 16,645</u>	<u>\$ 65,290</u>	<u>\$ 22,661,389</u>

COUNTY OF ORANGE, VIRGINIA

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2014**

Net change in fund balances per Exhibit 5 – total government funds	\$ 1,642,888
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>	
Capital outlay	1,220,645
Depreciation expense	(1,924,415)
Allocation of debt financed school assets based on current year repayments and drawdowns of bond proceeds	(4,338,636)
	(5,042,406)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(199,274)
<p>The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p>	
<p>Principal repayments:</p>	
General obligation debt	4,333,126
Lease revenue bonds	825,000
Capital lease	311,310
Proceeds from capital lease	(56,207)
Amortization of bond discount	(42,635)
Amortization of deferred amount on refunding	(24,993)
Amortization of bond premium	287,910
	5,633,511
<p>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.</p>	
Compensated absences	72,493
Other post-employment benefits	(122,723)
Accrued interest	115,343
	65,113
<p>Internal service funds are used by management to charge the costs of employee benefits. The net revenue (expense) of internal service funds is reported with governmental activities.</p>	
	833,457
Changes in net position of governmental activities	\$ 2,933,289

COUNTY OF ORANGE, VIRGINIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2014

	<u>Business-Type Activities Enterprise Funds</u>			Governmental
	<u>Airport</u>	<u>Landfill</u>	<u>Total</u>	Activities Insurance Internal Service Fund
ASSETS				
Current assets:				
Cash and cash equivalents (Note 3)	\$ 542,807	\$ 2,609,778	\$ 3,152,585	\$ 1,982,672
Receivables, net (Note 4)	-	37,358	37,358	-
Due from other governments (Note 5)	193,374	-	193,374	-
Inventories	44,486	-	44,486	-
Total current assets	<u>780,667</u>	<u>2,647,136</u>	<u>3,427,803</u>	<u>1,982,672</u>
Noncurrent assets (Note 7):				
Capital assets:				
Nondepreciable	2,094,499	65,656	2,160,155	-
Depreciable, net	9,432,030	3,235,725	12,667,755	-
Total noncurrent assets	<u>11,526,529</u>	<u>3,301,381</u>	<u>14,827,910</u>	<u>-</u>
Total assets	<u>12,307,196</u>	<u>5,948,517</u>	<u>18,255,713</u>	<u>1,982,672</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	51,233	539,545	590,778	1,149,215
Long-term liabilities due within one year (Notes 8 and 11)	1,550	528,428	529,978	-
Total current liabilities	<u>52,783</u>	<u>1,067,973</u>	<u>1,120,756</u>	<u>1,149,215</u>
Noncurrent liabilities:				
Long-term liabilities due in more than one year (Notes 8 and 11)	9,198	1,947,824	1,957,022	-
Total noncurrent liabilities	<u>9,198</u>	<u>1,947,824</u>	<u>1,957,022</u>	<u>-</u>
Total liabilities	<u>61,981</u>	<u>3,015,797</u>	<u>3,077,778</u>	<u>1,149,215</u>
NET POSITION				
Net investment in capital assets	11,526,529	3,301,381	14,827,910	-
Unrestricted (deficit)	718,686	(368,661)	350,025	833,457
Total net position	<u>\$ 12,245,215</u>	<u>\$ 2,932,720</u>	<u>\$ 15,177,935</u>	<u>\$ 833,457</u>

COUNTY OF ORANGE, VIRGINIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2014

	<u>Business-Type Activities Enterprise Funds</u>			<u>Governmental Activities</u>
	<u>Airport</u>	<u>Landfill</u>	<u>Total</u>	<u>Insurance Internal Service Fund</u>
OPERATING REVENUES				
Charges for services	\$ 429,389	\$ 326,146	\$ 755,535	\$ 4,571,976
Miscellaneous	-	40,902	40,902	-
Total operating revenues	<u>429,389</u>	<u>367,048</u>	<u>796,437</u>	<u>4,571,976</u>
OPERATING EXPENSES				
Personnel services	97,081	589,359	686,440	-
Fringe benefits	25,683	156,430	182,113	-
Contractual services	50,106	864,000	914,106	-
Other charges	379,268	866,419	1,245,687	-
Insurance claims and other expenses	-	-	-	3,738,519
Depreciation	431,762	372,192	803,954	-
Total operating expenses	<u>983,900</u>	<u>2,848,400</u>	<u>3,832,300</u>	<u>3,738,519</u>
Operating income (loss)	<u>(554,511)</u>	<u>(2,481,352)</u>	<u>(3,035,863)</u>	<u>833,457</u>
NON-OPERATING REVENUES				
Commonwealth grants	-	9,115	9,115	-
Total non-operating revenues	<u>-</u>	<u>9,115</u>	<u>9,115</u>	<u>-</u>
Income (loss) before contributions and transfers	(554,511)	(2,472,237)	(3,026,748)	833,457
CAPITAL CONTRIBUTIONS	553,624	-	553,624	-
TRANSFERS IN (Note 6)	210,502	1,824,390	2,034,892	-
Change in net position	209,615	(647,847)	(438,232)	833,457
NET POSITION AT JULY 1, as restated (Note 15)	12,035,600	3,580,567	15,616,167	-
NET POSITION AT JUNE 30	<u>\$ 12,245,215</u>	<u>\$ 2,932,720</u>	<u>\$ 15,177,935</u>	<u>\$ 833,457</u>

COUNTY OF ORANGE, VIRGINIA

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
Year Ended June 30, 2014

	Business-Type Activities Enterprise Funds			Governmental Activities
	Airport	Landfill	Total	Insurance Internal Service Fund
OPERATING ACTIVITIES				
Receipts from customers and users	\$ 430,089	\$ 326,383	\$ 756,472	\$ 4,571,976
Payments to suppliers	(396,309)	(3,065,960)	(3,462,269)	(2,589,304)
Payments to employees	(121,774)	(739,816)	(861,590)	-
Other receipts	-	40,902	40,902	-
Net cash provided by (used in) operating activities	<u>(87,994)</u>	<u>(3,438,491)</u>	<u>(3,526,485)</u>	<u>1,982,672</u>
NONCAPITAL FINANCING ACTIVITIES				
Noncapital grant	-	9,115	9,115	-
Transfers from other funds	210,502	1,824,390	2,034,892	-
Net cash provided by noncapital financing activities	<u>210,502</u>	<u>1,833,505</u>	<u>2,044,007</u>	<u>-</u>
CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital contributions and construction grants	430,224	-	430,224	-
Purchases of capital assets	(633,800)	(9,036)	(642,836)	-
Net cash used in capital and related financing activities	<u>(203,576)</u>	<u>(9,036)</u>	<u>(212,612)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(81,068)	(1,614,022)	(1,695,090)	1,982,672
CASH AND CASH EQUIVALENTS				
Beginning at July 1	623,875	4,223,800	4,847,675	-
Ending at June 30	<u>\$ 542,807</u>	<u>\$ 2,609,778</u>	<u>\$ 3,152,585</u>	<u>\$ 1,982,672</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:				
Operating income (loss)	\$ (554,511)	\$ (2,481,352)	\$ (3,035,863)	\$ 833,457
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	431,762	372,192	803,954	-
Change in assets and liabilities:				
(Increase) decrease in:				
Receivables, net	700	237	937	-
Inventories	(9,105)	-	(9,105)	-
(Decrease) increase in:				
Accounts payable and accrued liabilities	42,170	413,682	455,852	1,149,215
Landfill closure and postclosure care	-	(1,749,223)	(1,749,223)	-
Compensated absences and OPEB	990	5,973	6,963	-
Net cash used in operating activities	<u>\$ (87,994)</u>	<u>\$ (3,438,491)</u>	<u>\$ (3,526,485)</u>	<u>\$ 1,982,672</u>

COUNTY OF ORANGE, VIRGINIA

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2014

	Talley Memorial Private- Purpose Trust	Agency Funds
	<u> </u>	<u> </u>
ASSETS		
Cash and cash equivalents (Note 3)	\$ -	\$ 481,557
Total assets	<u>-</u>	<u>481,557</u>
LIABILITIES		
Amounts held for others	<u>-</u>	<u>481,557</u>
Total liabilities	<u>-</u>	<u>481,557</u>
NET POSITION		
Restricted – held in trust for library needs	<u>\$ -</u>	<u>\$ -</u>

COUNTY OF ORANGE, VIRGINIA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
Year Ended June 30, 2014

	Talley Memorial Private- Purpose Trust
ADDITIONS	\$ -
Investment earnings:	-
Interest	-
Total additions	-
 DEDUCTIONS	
Contribution to Locust Grove Elementary Library	15,000
Total deductions	15,000
Change in net position	(15,000)
NET POSITION AT JULY 1	\$ 15,000
NET POSITION AT JUNE 30	\$ -

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

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

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

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

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

B. Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

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

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

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

B. Government-Wide Financial Statements (Continued)

Fund Financial Statements (Continued)

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

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

The *county capital projects fund* accounts for the renovations, construction, and improvements related to County assets. Financing is provided by debt issuances and general fund transfers.

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

The County reports the following major proprietary funds:

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

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

The *insurance internal service fund* accounts 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.

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

Additionally, the County reports the following fund types:

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

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

B. Government-Wide Financial Statements (Continued)

Fund Financial Statements (Continued)

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

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

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

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

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

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

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

Deposits and Investments

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

Interfund Receivables and Payables

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

Inventories

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

Taxes Receivable

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

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

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

Note Receivable

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

Year Ended	Governmental Activities	
	Note Receivable	
	Principal	Interest
2015	\$ 585,000	\$ 834,531
2016	610,000	806,118
2017	645,000	774,744
2018	675,000	744,275
2019	705,000	714,950
2020-2024	4,020,000	3,054,009
2025-2029	5,035,000	2,011,500
2030-2034	6,305,000	733,613
	\$ 18,580,000	\$ 9,673,740

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

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

Capital Assets

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

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

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

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

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

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

Unearned and Unavailable Revenue

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

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

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

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

Compensated Absences

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

Long-term Obligations

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

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

Fund Net Position

Fund Balances

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

The classifications are as follows:

- **Nonspendable** – Amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans, if applicable.

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

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

Fund Net Position (Continued)

Fund Balances (Continued)

- **Restricted** – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- **Committed** – Amounts constrained to specific purposes by the County, using authority resolution; to be reported as committed, amounts cannot be used for any other purposes unless the same highest level of action is taken to remove or change the constraint.
- **Assigned** – Amounts are constrained by intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by County management based on governing body direction through adoption or amendment of the budget or through ordinance or resolution.
- **Unassigned** – Amounts that are available for any purpose; positive amounts are reported only in the general fund.

Restricted Amounts

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

Minimum Fund Balance Policy

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

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

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

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

Fund Net Position (Continued)

Minimum Fund Balance Policy (Continued)

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.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Encumbrances outstanding at year end total \$3,096 in the general fund and \$427,560 in the county capital projects fund. These amounts are reported as assigned fund balance since they do not constitute expenditures or liabilities.

Net Position

Net position is the difference between assets, deferred outflows of resources, 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.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represent a consumption of net position that applies to future period(s) and so will not be recognized as an outflows of resources (expense/expenditure) until then. The County has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported on both the government-wide statement of net position and the proprietary funds statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

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

Deferred Outflows and Inflows of Resources (Continued)

In addition to liabilities, the statement of net position reports 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(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has one item which occurs under a modified accrual basis of accounting. The item, unavailable/unearned revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable/unearned revenue from property taxes and other receivables not collected within 60 days of year-end and property taxes levied to fund future years. Unavailable/unearned revenue may also represent revenue that has been received, but the earnings process is not yet complete. These amounts are deferred and recognized as an inflow of resources in the period they become available. In addition, the statement of net position reports property taxes received in advance under this section.

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.

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 2. Stewardship, Compliance, and Accountability

Budgetary Information

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

1. Prior to April 1, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing July 1. The operating and capital budget includes proposed expenditures and the means of financing them. The following Funds have legally adopted budgets: General Fund, Virginia Public Assistance Fund, Law Library Fund, Forfeited Assets Fund, School Operating Fund, School Textbook Adoption Fund, and School Adult Education Fund.
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 Fund). The School Funds are integrated only at the level of legal adoption.
6. All budgets are adopted on a basis consistent with U.S. generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30.
8. Budget data presented in the accompanying financial statements includes the original adopted budget and the revised budget as of June 30.

Note 3. Deposits and Investments

Deposits:

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

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 3. Deposits and Investments (Continued)

Investments:

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

External Investment Pools:

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

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

Deposits:		
Demand deposits	\$	9,884,088
Cash on hand		5,662
		9,889,750
Investments:		
LGIP		21,037,621
Total deposits and investments	\$	30,927,371

Total deposits and investment is composed as follows:

Cash and cash equivalents – Primary Government	\$	27,143,725
Cash and cash equivalents – Component Units		3,226,251
Restricted cash and cash equivalents – Primary Government		278,020
Restricted cash and cash equivalents – Component Units		279,375
Total deposits and investments	\$	30,927,371

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 3. Deposits and Investments (Continued)

Restricted cash:

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

Custodial credit risk:

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

Credit risk:

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

Interest rate risk:

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>1-5 Years</u>
LGIP	\$ 21,037,621	\$ 21,037,621	\$ -
	<u>\$ 21,037,621</u>	<u>\$ 21,037,621</u>	<u>\$ -</u>

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 4. Receivables

Receivables consist of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>	<u>Component Unit – School Board</u>
Receivables				
Taxes	\$ 2,456,867	\$ -	\$ 2,456,867	\$ -
Less: allowance for uncollectible accounts	<u>(395,004)</u>	<u>-</u>	<u>(395,004)</u>	<u>-</u>
Net taxes receivable	2,061,863	-	2,061,863	-
Accounts receivable	2,672,162	37,358	2,709,520	1,130,060
Less: allowance for uncollectible accounts	<u>(1,497,242)</u>	<u>-</u>	<u>(1,497,242)</u>	<u>-</u>
Net accounts receivable	<u>1,174,920</u>	<u>37,358</u>	<u>1,212,278</u>	<u>1,130,060</u>
Net total receivables	<u>\$ 3,236,783</u>	<u>\$ 37,358</u>	<u>\$ 3,274,141</u>	<u>\$ 1,130,060</u>

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

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 5. Due From Other Governmental Units

Amounts due from other governments consist of the following:

	<u>Primary Government</u>	<u>Component Unit – School Board</u>
Commonwealth of Virginia:		
State sales taxes	\$ -	\$ 903,344
Local taxes	4,621	-
Communication sales and use taxes	242,674	-
Public assistance and welfare administration	80,755	-
Comprehensive youth service	186,752	-
Aviation grant	17,817	-
Sheriff	108,672	-
Commonwealth's Attorney	18,698	-
Clerk of Circuit Court	21,600	-
Treasurer	8,025	-
Commissioner of Revenue	8,388	-
Emergency services grants	199,466	-
Other	172,725	-
Federal Government:		
Education grants	-	226,716
Aviation grant	175,557	-
Public assistance	151,749	-
Towns of Orange and Gordonsville	514,482	-
	<u>\$ 1,911,981</u>	<u>\$ 1,130,060</u>

Note 6. Interfund Transfers

Interfund transfers consist of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
General Fund	\$ 1,450	\$ 13,637,852
Virginia Public Assistance Fund	889,573	-
Debt Service Fund	9,460,305	-
County Capital Projects Fund	1,253,082	-
Other Governmental Funds	-	1,450
Proprietary Funds:		
Airport Fund	210,502	-
Landfill Fund	1,824,390	-
	<u>\$ 13,639,302</u>	<u>\$ 13,639,302</u>
Component Unit – School Board:		
School Operating Fund	\$ -	\$ 470,654
School Nutrition Fund	14,016	-
School Textbook Adoptions Fund	446,946	-
School Adult Education Fund	9,692	-
	<u>\$ 470,654</u>	<u>\$ 470,654</u>

(Continued)

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 6. Interfund Transfers (Continued)

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

Note 7. Capital Assets

Capital asset activity for the year consists of the following:

	Beginning Balance, as restated (Note 15)	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not depreciated:				
Land	\$ 1,052,417	\$ -	\$ -	\$ 1,052,417
Construction in progress	299,285	443,801	(258,355)	484,731
Total capital assets not depreciated	<u>1,351,702</u>	<u>443,801</u>	<u>(258,355)</u>	<u>1,537,148</u>
Capital assets depreciated:				
Buildings and improvements	18,019,294	87,255	-	18,106,549
School buildings and improvements	58,321,695	-	(4,338,636)	53,983,059
Furniture, equipment, and vehicles	8,664,478	947,944	(62,709)	9,549,713
Total capital assets depreciated	<u>85,005,467</u>	<u>1,035,199</u>	<u>(4,401,345)</u>	<u>81,639,321</u>
Less accumulated depreciation:				
Buildings and improvements	(3,947,478)	(425,840)	-	(4,373,318)
School buildings and improvements	(5,255,634)	(632,934)	-	(5,888,568)
Furniture, equipment, and vehicles	(6,791,089)	(865,641)	62,709	(7,594,021)
Total accumulated depreciation	<u>(15,994,201)</u>	<u>(1,924,415)</u>	<u>62,709</u>	<u>(17,855,907)</u>
Capital assets depreciated, net	<u>69,011,266</u>	<u>(889,216)</u>	<u>(4,338,636)</u>	<u>63,783,414</u>
Net capital assets	<u>\$ 70,362,968</u>	<u>\$ (445,415)</u>	<u>\$ (4,596,991)</u>	<u>\$ 65,320,562</u>

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 7. Capital Assets (Continued)

	Beginning Balance, as restated (Note 15)	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital assets not depreciated:				
Land	\$ 1,603,822	\$ 226,081	\$ -	\$ 1,829,903
Construction in progress	310,491	19,761	-	330,252
Total capital assets not depreciated	1,914,313	245,842	-	2,160,155
Capital assets depreciated:				
Buildings and improvements	11,237,243	379,009	-	11,616,252
Landfill development costs	3,349,705	-	-	3,349,705
Furniture, equipment, and vehicles	1,106,869	18,009	-	1,124,878
Total capital assets depreciated	15,693,817	397,018	-	16,090,835
Less accumulated depreciation for:				
Buildings and improvements	(1,731,392)	(429,929)	-	(2,161,321)
Landfill development costs	(123,716)	(270,320)	-	(394,036)
Furniture, equipment, and vehicles	(764,018)	(103,705)	-	(867,723)
Total accumulated depreciation	(2,619,126)	(803,954)	-	(3,423,080)
Capital assets depreciated, net	13,074,691	(406,936)	-	12,667,755
Net capital assets	\$ 14,989,004	\$ (161,094)	\$ -	\$ 14,827,910

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

	Governmental Activities	Business-Type Activities	Total Primary Government
General government administration	\$ 317,263	\$ -	\$ 317,263
Judicial administration	84,898	-	84,898
Public safety	576,974	-	576,974
Public works	46,399	-	46,399
Health and welfare	149,849	-	149,849
Education	632,934	-	632,934
Parks, recreation, and cultural	66,131	-	66,131
Community development	49,967	-	49,967
Airport	-	431,762	431,762
Landfill	-	372,192	372,192
Total depreciation expense – primary government	\$ 1,924,415	\$ 803,954	\$ 2,728,369

(Continued)

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 7. 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, as restated (Note 15)	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not depreciated:				
Land	\$ 1,855,343	\$ -	\$ -	\$ 1,855,343
Construction in progress	2,445,590	5,216,340	(1,353,315)	6,308,615
Total capital assets not depreciated	4,300,933	5,216,340	(1,353,315)	8,163,958
Capital assets depreciated:				
Buildings and improvements	134,370,002	1,898,266	-	136,268,268
Allocated to County	(58,321,695)	-	4,338,636	(53,983,059)
Furniture, equipment, and vehicles	12,952,521	570,367	(431,500)	13,091,388
Total capital assets depreciated	89,000,828	2,468,633	3,907,136	95,376,597
Less accumulated depreciation:				
Buildings and improvements	(51,529,686)	(2,376,559)	-	(53,906,245)
Allocated to County	5,255,634	632,934	-	5,888,568
Furniture, equipment, and vehicles	(6,285,798)	(1,496,218)	421,833	(7,360,183)
Total accumulated depreciation	(52,559,850)	(3,239,843)	421,833	(55,377,860)
Capital assets depreciated, net	36,440,978	(771,210)	4,328,969	39,998,737
Net capital assets	\$ 40,741,911	\$ 4,445,130	\$ 2,975,654	\$ 48,162,695

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

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 8. Long-Term Liabilities

Changes in long-term liabilities consist of the following:

	Beginning Balance	Increases	Decreases	Ending Balance	Due within One Year
Governmental Activities:					
General obligation bonds	\$ 56,686,043	\$ -	\$ 4,333,126	\$ 52,352,917	\$ 4,199,903
Premium on bonds	2,409,678	-	287,910	2,121,768	270,464
	<u>59,095,721</u>	<u>-</u>	<u>4,621,036</u>	<u>54,474,685</u>	<u>4,470,367</u>
Lease revenue/refunding bonds	27,985,000	-	825,000	27,160,000	855,000
Discount on bonds	(536,469)	-	(42,635)	(493,834)	(41,462)
	<u>27,448,531</u>	<u>-</u>	<u>782,365</u>	<u>26,666,166</u>	<u>813,538</u>
Capital leases	1,565,987	56,207	311,310	1,310,884	333,884
Other post-employment benefits	728,518	122,723	-	851,241	-
Compensated absences	943,772	635,337	707,830	871,279	653,459
	<u>\$ 89,782,529</u>	<u>\$ 814,267</u>	<u>\$ 6,422,541</u>	<u>\$ 84,174,255</u>	<u>\$ 6,271,248</u>
Business-Type Activities:					
Compensated absences	\$ 39,795	\$ 18,620	\$ 9,293	\$ 49,122	\$ 12,280
Other post-employment benefits	34,465	-	2,587	31,878	-
Landfill closure/post-closure	4,155,000	274,698	2,023,698	2,406,000	517,698
	<u>\$ 4,229,260</u>	<u>\$ 293,318</u>	<u>\$ 2,035,578</u>	<u>\$ 2,487,000</u>	<u>\$ 529,978</u>

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

Discretely Presented Component Unit – School Board:

	Beginning Balance	Increases	Decreases	Ending Balance	Due within One Year
Governmental Activities:					
Compensated absences	\$ 1,553,247	\$ 427,388	\$ 310,649	\$ 1,669,986	\$ 310,649
Other post-employment benefits	2,101,509	198,237	-	2,299,746	-
Capital leases	7,056,431	-	205,296	6,851,135	460,122
	<u>\$ 10,711,187</u>	<u>\$ 625,625</u>	<u>\$ 515,945</u>	<u>\$ 10,820,867</u>	<u>\$ 770,771</u>

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 8. Long-Term Liabilities (Continued)

Details of long-term indebtedness are as follows:

General Obligation Bonds:

	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Final Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Governmental Activities</u>
County:					
Industrial park improvements	3.87	12/07/2005	07/15/2017	\$ 1,279,119	\$ 491,627
School:					
VPSA bond	5.4-5.98	05/18/1995	07/15/2015	\$ 530,000	50,000
VPSA bond	4.98-5.85	11/16/2000	07/15/2020	\$ 2,830,000	1,065,000
School improvement bond	4.1-5.6	05/25/2001	07/15/2021	\$ 25,000,000	13,180,000
VPSA bond	2.35-5.10	11/07/2002	07/15/2023	\$ 1,615,000	910,000
School improvement bond	2.30-3.59	11/10/2005	07/15/2025	\$ 13,935,316	8,586,290
VPSA bond	4.35-5.10	11/08/2007	07/15/2027	\$ 5,220,000	3,640,000
VPSA bond	4.05-5.05	05/07/2009	07/15/2029	\$ 30,550,000	24,430,000
					<u>\$ 52,352,917</u>

Lease Revenue and Refunding Bonds:

Courthouse and nursing home	4.25-5.0	09/06/2007	02/01/2034	\$ 31,235,000	<u>\$ 27,160,000</u>
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Capital Leases:

Pierce Fire Trucks	3.57	03/14/2008	02/01/2018	\$ 1,644,968	\$ 724,869
Financial Software and other equipment	1.78	09/27/2012	09/27/2017	\$ 747,000	529,808
Emergency Response Software	0.00	08/28/2013	08/01/2017	\$ 56,207	56,207
					<u>\$ 1,310,884</u>

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 8. Long-Term Liabilities (Continued)

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

Year Ended June 30	Governmental Activities					
	General Obligation Bonds		Lease Revenue and Refunding Bond		Capital Lease Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 4,199,903	\$ 2,463,986	\$ 855,000	\$ 1,239,156	\$ 333,884	\$ 34,653
2016	4,284,363	2,259,014	895,000	1,200,681	342,663	25,873
2017	4,359,248	2,045,169	940,000	1,155,931	351,710	16,827
2018	4,459,467	1,827,025	985,000	1,108,931	282,627	7,506
2019	4,435,456	1,601,768	1,030,000	1,067,069	-	-
2020-2024	18,934,086	4,809,165	5,880,000	4,600,394	-	-
2025-2029	10,155,394	1,412,842	7,365,000	3,107,600	-	-
2030-2034	1,525,000	33,741	9,210,000	1,279,350	-	-
	<u>\$ 52,352,917</u>	<u>\$ 16,452,710</u>	<u>\$ 27,160,000</u>	<u>\$ 14,759,112</u>	<u>\$ 1,310,884</u>	<u>\$ 84,859</u>

The assets acquired through capital leases are as follows:

	Governmental Activities
Vehicles – Pierce fire trucks	\$ 1,644,939
Equipment – Financial software and other equipment	568,977
Emergency communications system	25,108
	<u>2,239,024</u>
Less: accumulated depreciation	<u>(1,666,589)</u>
	<u>\$ 572,435</u>

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 8. Long-Term Liabilities (Continued)

Capital Leases – School Board:

	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Final Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Governmental Activities</u>
Phone system	3.0	02/01/2012	08/01/2016	\$ 1,073,075	\$ 652,893
Energy performance contract	2.59	03/27/2013	09/27/2028	\$ 6,198,242	6,198,242
					<u>6,851,135</u>

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

<u>Year Ended June 30</u>	<u>Capital Lease Obligations</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 460,122	\$ 339,735
2016	503,691	165,258
2017	530,817	151,305
2018	328,493	136,620
2019	351,123	127,967
2020-2024	2,131,870	488,340
2025-2029	<u>2,545,019</u>	<u>171,065</u>
	<u>\$ 6,851,135</u>	<u>\$ 1,580,290</u>

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Phone system	\$ 1,152,889
Energy performance contract	6,191,956
	<u>7,344,845</u>
Less: accumulated depreciation	(480,371)
	<u>\$ 6,864,474</u>

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 9. Defined Benefit Pension Plan

Plan Description

The County contributes to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System (the "System"). All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Members earn one month of service credit for each month they are employed and they and their employer are paying contributions to VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as service credit in their plan.

Within the VRS Plan, the System administers three different benefit plans for local government employees – Plan 1, Plan 2, and Hybrid. Each plan has a different eligibility and benefit structure as set out below:

VRS PLAN 1

About VRS Plan 1 – VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

Hybrid Opt-In Election – VRS non-hazardous duty covered plan 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 VRS Plan were not eligible to elect the Hybrid Retirement Plan and remain as plan members or ORP.

Retirement Contributions – Members contribute up to 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5.00% member contribution; all employees will be paying the full 5.00% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.

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.

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 9. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

VRS PLAN 1 (Continued)

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.

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.

Average Final Compensation – A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

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%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. 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.

Normal Retirement Age – Age 65.

Earliest Unreduced Retirement Eligibility – Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years of creditable service or at age 50 with at least 30 years of creditable service. Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

Earliest Reduced Retirement Eligibility – Members may retire with a reduced benefit as early as age 55 with at least five years of creditable service or age 50 with at least 10 years of creditable service.

Cost-of-Living Adjustment (COLA) in Retirement – The Cost-of-Living Adjustment (COLA) matches the first 3.00% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4.00%) up to a maximum COLA of 5.00%.

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 9. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

VRS PLAN 1 (Continued)

Cost-of-Living Adjustment (COLA) in Retirement – (Continued)

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.

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.
- 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.

Disability Coverage – Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

Purchase of Prior Service – Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 9. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

VRS PLAN 2

VRS Plan 2 is the same as VRS Plan 1 except for the following:

Employees are eligible for VRS 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.

Average Final Compensation – A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.

Service Retirement Multiplier – For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.

Normal Retirement Age – Normal Social Security retirement age.

Earliest Unreduced Retirement Eligibility – Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years of creditable service or when their age and service equal 90.

Earliest Reduced Retirement Eligibility – Members may retire with a reduced benefit as early as age 60 with at least five years of creditable service.

Cost-of-Living Adjustment (COLA) in Retirement – The Cost-of-Living Adjustment (COLA) matches the first 2.00% increase in the CPI-U and half of any additional increase (up to 2.00%), for a maximum COLA of 3.00%.

Disability Coverage – 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. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

HYBRID RETIREMENT PLAN

The Hybrid Retirement Plan is the same as VRS Plan 1 except for the following:

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 9. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

HYBRID RETIREMENT PLAN (Continued)

About the Hybrid Retirement Plan – The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window.

- 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.

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

- State employees.*
- School division employees.
- Political subdivision employees.*
- Judges appointed or elected to an original term on or after January 1, 2014.
- Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1 – 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:

- Members of the State Police Officers’ Retirement System (SPORS).
- Members of the Virginia Law Officers’ Retirement System (VaLORS).
- Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 9. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

HYBRID RETIREMENT PLAN (Continued)

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 VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.

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

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.

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 of creditable service. VRS Plan 1 or VRS Plan 2 members with at least five years of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 9. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

HYBRID RETIREMENT PLAN (Continued)

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 70½.

Calculating the Benefit

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 – Same as VRS Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

Service Retirement Multiplier – The retirement multiplier is 1.00%. For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

Normal Retirement Age

Defined Benefit Component: Same as VRS Plan 2.

Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Unreduced Retirement Eligibility

Defined Benefit Component: Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years of creditable service or when their age and service equal 90.

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 9. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Earliest Unreduced Retirement Eligibility (Continued)

Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Reduced Retirement Eligibility

Defined Benefit Component: Members may retire with a reduced benefit as early as age 60 with at least five years of creditable service.

Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component: Same as VRS Plan 2.

Defined Contribution Component: Not applicable.

Disability Coverage – Eligible political subdivision and school division (including VRS Plan 1 and VRS 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. State employees (including VRS Plan 1 and VRS Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

The system issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2013-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 9. Defined Benefit Pension Plan (Continued)

Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the County is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The County's contribution rate for the fiscal year ended June 30, 2014 was 12.06% of the annual covered payroll.

The School Board non-professional employees' contribution rate for the fiscal year ended 2013 was 8.14% of annual covered payroll. The School Board professional employees' contribution rate for the VRS statewide teacher pool for fiscal year ended 2014 was 11.66% of annual covered payroll. Total contributions made to the VRS statewide teacher pool for professional employees by the School Board for the fiscal years ending June 30, 2014, 2013, and 2012 were \$2,845,346, \$2,834,526, and \$1,401,401, respectively, and were equal to the required contributions for each year.

Annual Pension Cost

For 2014, the County and School Board's annual pension cost was equal to the required and actual contribution.

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
County:			
June 30, 2014	\$ 1,002,746	100%	\$ -
June 30, 2013	\$ 958,005	100%	\$ -
June 30, 2012	\$ 996,259	100%	\$ -

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
School Board Non-Professional:			
June 30, 2014	\$ 236,704	100%	\$ -
June 30, 2013	\$ 237,287	100%	\$ -
June 30, 2012	\$ 154,672	100%	\$ -

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 9. Defined Benefit Pension Plan (Continued)

Annual Pension Cost (Continued)

The FY 2014 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for local general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% per year for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases also include an inflation component of 2.50%.

The actuarial value of the County's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County's unfunded actuarial accrued liability is being amortized as level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2013 for the Unfunded Actuarial Accrued liability (UAAL) was 30 years.

Funded Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the County's plan was 76.59% funded. The actuarial accrued liability for benefits was \$28,760,241, and the actuarial value of assets was \$22,027,074, resulting in an unfunded actuarial accrued liability (UAAL) of \$6,733,167. The covered payroll (annual payroll of active employees covered by the plan) was \$8,825,991, and the ratio of the UAAL to the covered payroll was 76.29%.

As of June 30, 2013, the most recent actuarial valuation date, the School Board's non-professional plan was 91.59% funded. The actuarial accrued liability for benefits was \$7,934,394, and the actuarial value of assets was \$7,267,246, resulting in an unfunded actuarial accrued liability (UAAL) of \$667,148. The covered payroll (annual payroll of active employees covered by the plan) was \$2,860,635, and the ratio of the UAAL to the covered payroll was 23.32%.

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

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 10. Other Post-Employment Benefits

County

Plan Description

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

Funding Policy

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

Annual Required Contribution (ARC)

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

Annual required contribution		\$ 147,300
Interest on net OPEB obligation		30,520
Adjustment to annual required contribution		<u>(27,384)</u>
Annual OPEB cost (expense)		150,436
Contribution by employer		<u>(30,300)</u>
Increase in net OPEB obligation		120,136
Net OPEB obligation - beginning of year		<u>762,983</u>
Net OPEB obligation - end of year		<u><u>\$ 883,119</u></u>

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2014	\$ 150,436	20%	\$ 883,119
June 30, 2013	\$ 141,383	17%	\$ 762,983
June 30, 2012	\$ 206,500	21%	\$ 646,300

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 10. Other Post-Employment Benefits (Continued)

County (Continued)

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2012 is as follows:

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

Actuarial Methods and Assumptions

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

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

Cost Method:

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

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 10. Other Post-Employment Benefits (Continued)

County (Continued)

Interest Assumptions:

The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 7.5 percent initially, graded to 4.80 percent over 71 years. A payroll growth rate of 3.75 percent is used in the assumptions. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2012, was thirty years.

School Board

Plan Description

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

Funding Policy

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

Actuarial Methods and Assumptions

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

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 10. Other Post-Employment Benefits (Continued)

School Board (Continued)

Annual Required Contribution (ARC)

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

Annual required contribution	\$	352,900
Interest on net OPEB obligation		84,060
Adjustment to annual required contribution		(75,423)
Annual OPEB cost (expense)		361,537
Contribution by employer		(163,300)
Increase in net OPEB obligation		198,237
Net OPEB obligation - beginning of year		2,101,509
Net OPEB obligation - end of year	\$	2,299,746

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2014	\$ 361,537	45%	\$ 2,299,746
June 30, 2013	\$ 344,109	39%	\$ 2,101,509
June 30, 2012	\$ 766,200	36%	\$ 1,890,700

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 10. Other Post-Employment Benefits (Continued)

School Board (Continued)

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2012 is as follows:

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

Note 11. Landfill Closure and Post-Closure Care Cost

Permit 90 – Closed Landfill

The County closed its former landfill site in 2013. State and federal laws and regulations require the County to place a final cover and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The cumulative amount of estimated closure, postclosure care, and corrective action costs for this site, less costs paid to date, totals \$2,099,300. Actual costs may be higher due to inflation, changes in technology, changes in regulations or other unforeseen circumstances. The County intends to fund these costs from funds accumulated for this purpose in the Landfill Fund as well as transfers from the General Fund.

Permit 566 – Open Landfill

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

State and federal laws will require the County to place a final cover on this site when it stops accepting waste and to perform maintenance and monitoring functions for thirty years after closure. Although closure and post-closure care costs are paid only near or after the date the landfill stops accepting waste, the County will report a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used. The \$306,700 reported as landfill closure and postclosure liability as of June 30 represents the cumulative amount reported to date based on estimated use of approximately 15% of the estimated capacity of Cell #1, as well as anticipated future cells for closure costs, and use of approximately 1.6% of the estimated capacity of the entire landfill site for postclosure costs. The remaining estimated cost of closure and post closure care of \$4,296,670 will be recognized as remaining capacity is filled. Actual future costs may be higher due to inflation, changes in technology, changes in regulations, or other unforeseen circumstances.

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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

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

Note 12. Commitments and Contingencies

Litigation

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

Federal Grants

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

Commitments

The County and School Board have entered into various construction contracts. Future amounts due under these agreements are approximately \$862,000 at year end.

During 2014, the County and EDA entered into a performance agreement with a company for the purpose of inducing the company to relocate and consolidate its business operations to the County. As a part of the agreement, the County and EDA have received grant funds from the Commonwealth of Virginia for assistance with the relocation and capital expansion. Based on the terms of the agreement, if minimum eligibility requirements are not met by the company, the County may be required to return a portion of such funds, which amounted to \$540,000. The portion of the grant that could potentially be returned will depend on whether the company meets at least 90% of its investment target for both capital and new jobs. If this percentage is met, no funds will be required to be returned. The County will also be obligated to disburse amounts to the Authority in the approximate amount of \$67,000, which after receipt will then be disbursed to the company in the form of a cash grant. The final monetary obligation the County has will be to pay amounts to the Authority reflecting a portion of real estate and personal property taxes paid by the company up to \$350,000. These funds will then be disbursed to the company. Finally, the County has agreed to waive all local permit fees related to the anticipated building improvements. The deadline for the performance date of the agreement is March 31, 2017, however may be extended based on the discretion of the County.

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 12. Commitments and Contingencies (Continued)

During 2014, the County determined that formulas used resulted in excess sales tax amounts to both the Town of Orange and Gordonsville for the previous two years due to inaccurate information. Based on the legal right to receive reimbursement of these overpayments, the County has recorded a receivable of \$514,482. As of the report date, a formal repayment plan had not yet been finalized.

Note 13. Risk Management

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

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

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

The County and School Board is partially self-insured for health and dental insurance coverage for its 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 is shown below.

Trend Information				
Fiscal Year Ending	Beginning Liability	Current Year Claims	Claim Payments	Ending Liability
June 30, 2014	\$ -	\$ 3,639,471	\$ 3,147,287	\$ 492,184

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 14. Fund Balances

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

	<u>General</u>	<u>Virginia Public Assistance</u>	<u>County Capital Projects Fund</u>	<u>School Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>Component Unit – School Board</u>
Restricted for:							
Capital projects	\$ -	\$ -	\$ 448,020	\$ -	\$ -	\$ 448,020	\$ 6,286
Total restricted	<u>-</u>	<u>-</u>	<u>448,020</u>	<u>-</u>	<u>-</u>	<u>448,020</u>	<u>6,286</u>
Committed to:							
Community development	71,125	-	-	-	-	71,125	-
Judicial administration	-	-	-	-	43,016	43,016	-
Public safety	-	-	-	-	22,274	22,274	-
Health and welfare	-	122,154	-	-	-	122,154	-
Total committed	<u>71,125</u>	<u>122,154</u>	<u>-</u>	<u>-</u>	<u>65,290</u>	<u>258,569</u>	<u>-</u>
Assigned to:							
General government	3,096	-	-	-	-	3,096	-
Education	-	-	-	16,645	-	16,645	370,665
Other capital projects	-	-	2,015,978	-	-	2,015,978	-
Total assigned	<u>3,096</u>	<u>-</u>	<u>2,015,978</u>	<u>16,645</u>	<u>-</u>	<u>2,035,719</u>	<u>370,665</u>
Unassigned	<u>19,919,081</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,919,081</u>	<u>-</u>
Total fund balance	<u>\$ 19,993,302</u>	<u>\$ 122,154</u>	<u>\$ 2,463,998</u>	<u>\$ 16,645</u>	<u>\$ 65,290</u>	<u>\$ 22,661,389</u>	<u>\$ 376,951</u>

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 15. Restatement of Net Position

Beginning net position has been restated to properly reflect amounts in accordance with implementing **GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities***. This standard requires the reclassification of items as deferred outflows and inflows that were previously reported as assets and liabilities. Additionally, the standard requires that debt issuance costs be recognized as an expense in the period incurred, except any portion related to prepaid insurance costs. Bond issuance costs that were capitalized as a part of various debt issuances in prior years were required to be retroactively expensed as reflected below. The County has also adjusted beginning net position due to errors in capital asset records discovered during the implementation of a new capital asset tracking system. Finally, the County has adjusted beginning net position to reflect amounts due from the Towns of Orange and Gordonsville for local sales tax over payments.

	<u>Government Activities</u>	<u>Business- Type Activities</u>	<u>Airport Fund</u>	<u>Landfill Fund</u>	<u>Discretely Presented Component Unit – School Board</u>
Net Position, June 30, 2013, as previously stated	\$ 20,937,852	\$ 15,857,028	\$ 12,323,410	\$ 3,533,618	\$ 36,576,112
Capital asset changes	475,080	(240,861)	(287,810)	46,949	(1,011,676)
Bond issue costs adjustment	(632,465)	-	-	-	-
Local sales tax repayments	514,482	-	-	-	-
Net Position, June 30, 2013, as restated	<u>\$ 21,294,949</u>	<u>\$ 15,616,167</u>	<u>\$ 12,035,600</u>	<u>\$ 3,580,567</u>	<u>\$ 35,564,436</u>

COUNTY OF ORANGE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 16. Pending GASB Statements

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

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

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

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* was issued to address an issue regarding application of the transition provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This Statement amends GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The requirements of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual-basis financial statements of employers and non-employer contributing entities. This Statement will be effective for the year ending June 30, 2015.

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

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**REQUIRED
SUPPLEMENTARY INFORMATION**

COUNTY OF ORANGE, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
REVENUES				
Local Sources	\$ 44,641,913	\$ 44,905,736	\$ 46,711,476	\$ 1,805,740
Commonwealth	8,644,560	9,285,449	8,380,298	(905,151)
Federal Government	4,000	48,356	36,067	(12,289)
General Fund Reserves & Transfers In	84,014	2,918,223	1,450	(2,916,773)
Total revenues	<u>53,374,487</u>	<u>57,157,764</u>	<u>55,129,291</u>	<u>(2,028,473)</u>
EXPENDITURES				
General Government Administration	\$ 2,908,101	\$ 3,190,709	\$ 2,793,382	\$ 397,327
Judicial Administration	1,474,873	1,573,195	1,533,675	39,520
Public Safety	10,188,322	10,717,210	10,475,096	242,114
Public Works	876,088	930,969	842,977	87,992
Health & Welfare	3,327,807	3,465,995	2,722,475	743,520
Education	10,460	10,460	10,460	-
Parks, Recreation & Culture	1,165,238	1,257,767	1,201,478	56,289
Community Development	946,714	1,680,266	1,507,749	172,517
Transfers to Other Funds	32,085,184	34,083,117	32,435,194	1,647,923
Non-Departmental	391,700	248,076	64,395	183,681
Total expenditures	<u>53,374,487</u>	<u>57,157,764</u>	<u>53,586,881</u>	<u>3,570,883</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>1,542,410</u>	<u>1,542,410</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,542,410</u>	<u>\$ 1,542,410</u>

COUNTY OF ORANGE, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
VIRGINIA PUBLIC ASSISTANCE FUND
Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 248	\$ 248
Intergovernmental revenues:				
Commonwealth	1,042,112	1,166,112	860,302	(305,810)
Federal	1,167,537	1,291,537	1,155,828	(135,709)
Total revenues	<u>2,209,649</u>	<u>2,457,649</u>	<u>2,016,378</u>	<u>(441,271)</u>
EXPENDITURES				
Current:				
Health and welfare	3,037,245	3,347,222	2,970,694	376,528
Total expenditures	<u>3,037,245</u>	<u>3,347,222</u>	<u>2,970,694</u>	<u>376,528</u>
Excess (deficiency) of revenues over expenditures	<u>(827,596)</u>	<u>(889,573)</u>	<u>(954,316)</u>	<u>(64,743)</u>
OTHER FINANCING SOURCES				
Transfers in	<u>827,596</u>	<u>889,573</u>	<u>889,573</u>	<u>-</u>
Total other financing sources	<u>827,596</u>	<u>889,573</u>	<u>889,573</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (64,743)</u>	<u>\$ (64,743)</u>

COUNTY OF ORANGE, VIRGINIA
SCHEDULES OF FUNDING PROGRESS – PENSION AND OTHER POST-EMPLOYMENT BENEFITS
June 30, 2014

VIRGINIA RETIREMENT SYSTEM

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
A. Primary Government						
June 30, 2011	\$ 20,205,201	\$ 25,431,903	\$ 5,226,702	79.45%	\$ 7,805,938	66.96%
June 30, 2012	\$ 20,643,238	\$ 27,214,482	\$ 6,571,244	75.85%	\$ 7,973,698	82.41%
June 30, 2013	\$ 22,027,074	\$ 28,760,241	\$ 6,733,167	76.59%	\$ 8,825,991	76.29%
B. Discretely Presented Component Unit – School Board (Non-professional employees):						
June 30, 2011	\$ 6,965,932	\$ 7,699,773	\$ 733,841	90.47%	\$ 2,660,688	27.58%
June 30, 2012	\$ 6,975,575	\$ 7,922,632	\$ 947,057	88.05%	\$ 2,637,945	35.90%
June 30, 2013	\$ 7,267,246	\$ 7,934,394	\$ 667,148	91.59%	\$ 2,860,635	23.32%

OTHER POST-EMPLOYMENT BENEFITS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
A. Primary Government:						
July 1, 2010	\$ -	\$ 1,369,559	\$ 1,369,559	0.00%	\$ 8,269,728	15.00%
July 1, 2012	\$ -	\$ 857,200	\$ 857,200	0.00%	\$ 8,504,200	10.08%
B. Discretely Presented Component Unit – School Board:						
July 1, 2010	\$ -	\$ 6,336,528	\$ 6,336,528	0.00%	\$ 25,920,297	24.00%
July 1, 2012	\$ -	\$ 3,105,100	\$ 3,105,100	0.00%	\$ 25,143,100	12.35%

COUNTY OF ORANGE, VIRGINIA

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2014

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

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

**OTHER
SUPPLEMENTARY INFORMATION**

COUNTY OF ORANGE, VIRGINIA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2014

	<u>Asset Forfeiture</u>	<u>Law Library</u>	<u>Totals</u>
ASSETS			
Cash and cash equivalents	\$ 27,124	\$ 43,930	\$ 71,054
Total assets	<u>\$ 27,124</u>	<u>\$ 43,930</u>	<u>\$ 71,054</u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ 4,850	\$ 914	\$ 5,764
Total liabilities	<u>4,850</u>	<u>914</u>	<u>5,764</u>
Fund balances:			
Committed	<u>22,274</u>	<u>43,016</u>	<u>65,290</u>
Total fund balances	<u>22,274</u>	<u>43,016</u>	<u>65,290</u>
Total liabilities and fund balances	<u>\$ 27,124</u>	<u>\$ 43,930</u>	<u>\$ 71,054</u>

COUNTY OF ORANGE, VIRGINIA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
Year Ended June 30, 2014**

	<u>Asset Forfeiture</u>	<u>Law Library</u>	<u>Totals</u>
REVENUES			
Revenue from the use of money and property	\$ 43	\$ -	\$ 43
Charges for services	-	6,360	6,360
Intergovernmental revenues:			
Commonwealth	11,084	-	11,084
Total revenues	<u>11,127</u>	<u>6,360</u>	<u>17,487</u>
EXPENDITURES			
Current:			
Judicial administration	-	8,764	8,764
Public safety	7,437	-	7,437
Total expenditures	<u>7,437</u>	<u>8,764</u>	<u>16,201</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,690</u>	<u>(2,404)</u>	<u>1,286</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	-	(1,450)	(1,450)
Total other financing sources (uses)	<u>-</u>	<u>(1,450)</u>	<u>(1,450)</u>
Net change in fund balances	<u>3,690</u>	<u>(3,854)</u>	<u>(164)</u>
FUND BALANCES AT JULY 1	<u>18,584</u>	<u>46,870</u>	<u>65,454</u>
FUND BALANCES AT JUNE 30	<u>\$ 22,274</u>	<u>\$ 43,016</u>	<u>\$ 65,290</u>

COUNTY OF ORANGE, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS
Year Ended June 30, 2014**

	Asset Forfeiture Fund				Law Library Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final		
REVENUES								
Revenue from the use of money and property	\$ -	\$ -	43	\$ 43	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	6,000	6,000	6,360	360
Intergovernmental revenues:								
Commonwealth	-	14,814	11,084	(3,730)	-	-	-	-
Total revenues	-	14,814	11,127	(3,687)	6,000	6,000	6,360	360
EXPENDITURES								
Current:								
Judicial administration	-	-	-	-	15,400	15,400	8,764	6,636
Public safety	-	34,089	7,437	26,652	-	-	-	-
Total expenditures	-	34,089	7,437	26,652	15,400	15,400	8,764	6,636
Excess of revenues over (under) expenditures	-	(19,275)	3,690	22,965	(9,400)	(9,400)	(2,404)	6,996
OTHER FINANCING SOURCES (USES)								
Transfers out	-	-	-	-	(1,450)	(1,450)	(1,450)	-
Total other financing sources (uses)	-	-	-	-	(1,450)	(1,450)	(1,450)	-
Net change in fund balances	\$ -	\$ (19,275)	\$ 3,690	\$ 22,965	\$ (10,850)	\$ (10,850)	\$ (3,854)	\$ 6,996

COUNTY OF ORANGE, VIRGINIA

COMBINING STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
June 30, 2014

	<u>Special Welfare</u>	<u>Rapidan Hills Limited Partnership</u>	<u>Commonwealth</u>	<u>Bond Escrow Agency</u>	<u>Parks and Recreation Foundation</u>	<u>Total</u>
ASSETS						
Cash and cash equivalents	\$ 79,221	\$ 7,842	\$ 61,409	\$ 331,103	\$ 1,982	\$ 481,557
Total assets	<u>\$ 79,221</u>	<u>\$ 7,842</u>	<u>\$ 61,409</u>	<u>\$ 331,103</u>	<u>\$ 1,982</u>	<u>\$ 481,557</u>
LIABILITIES						
Amounts held for others	\$ 79,221	\$ 7,842	\$ 61,409	\$ 331,103	\$ 1,982	\$ 481,557
Total liabilities	<u>\$ 79,221</u>	<u>\$ 7,842</u>	<u>\$ 61,409</u>	<u>\$ 331,103</u>	<u>\$ 1,982</u>	<u>\$ 481,557</u>

COUNTY OF ORANGE, VIRGINIA

**COMBINING STATEMENT OF CHANGES IN
ASSETS AND LIABILITIES
AGENCY FUNDS
Year Ended June 30, 2014**

	Beginning Balance	Additions	Deletions	Ending Balance
Special Welfare Fund				
ASSETS				
Cash and cash equivalents	\$ 66,170	\$ 194,447	\$ 181,396	\$ 79,221
Total assets	<u>\$ 66,170</u>	<u>\$ 194,447</u>	<u>\$ 181,396</u>	<u>\$ 79,221</u>
LIABILITIES				
Amounts held for others	\$ 66,170	\$ 194,447	\$ 181,396	\$ 79,221
Total liabilities	<u>\$ 66,170</u>	<u>\$ 194,447</u>	<u>\$ 181,396</u>	<u>\$ 79,221</u>
Rapidan Hills Limited Partnership				
ASSETS				
Cash and cash equivalents	\$ 7,798	\$ 44	\$ -	\$ 7,842
Total assets	<u>\$ 7,798</u>	<u>\$ 44</u>	<u>\$ -</u>	<u>\$ 7,842</u>
LIABILITIES				
Amounts held for others	\$ 7,798	\$ 44	\$ -	\$ 7,842
Total liabilities	<u>\$ 7,798</u>	<u>\$ 44</u>	<u>\$ -</u>	<u>\$ 7,842</u>
Commonwealth Fund				
ASSETS				
Cash and cash equivalents	\$ 48,920	\$ 36,561	\$ 24,072	\$ 61,409
Total assets	<u>\$ 48,920</u>	<u>\$ 36,561</u>	<u>\$ 24,072</u>	<u>\$ 61,409</u>
LIABILITIES				
Amounts held for others	\$ 48,920	\$ 36,561	\$ 24,072	\$ 61,409
Total liabilities	<u>\$ 48,920</u>	<u>\$ 36,561</u>	<u>\$ 24,072</u>	<u>\$ 61,409</u>
Bond Escrow Agency Fund				
ASSETS				
Cash and cash equivalents	\$ 335,036	\$ -	\$ 3,933	\$ 331,103
Total assets	<u>\$ 335,036</u>	<u>\$ -</u>	<u>\$ 3,933</u>	<u>\$ 331,103</u>
LIABILITIES				
Amounts held for others	\$ 335,036	\$ -	\$ 3,933	\$ 331,103
Total liabilities	<u>\$ 335,036</u>	<u>\$ -</u>	<u>\$ 3,933</u>	<u>\$ 331,103</u>
Parks and Recreation Foundation Fund				
ASSETS				
Cash and cash equivalents	\$ 1,982	\$ -	\$ -	\$ 1,982
Total assets	<u>\$ 1,982</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,982</u>
LIABILITIES				
Amounts held for others	\$ 1,982	\$ -	\$ -	\$ 1,982
Total liabilities	<u>\$ 1,982</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,982</u>
Totals – All Agency Funds				
ASSETS				
Cash and cash equivalents	\$ 459,906	\$ 231,052	\$ 209,401	\$ 481,557
Total assets	<u>\$ 459,906</u>	<u>\$ 231,052</u>	<u>\$ 209,401</u>	<u>\$ 481,557</u>
LIABILITIES				
Amounts held for others	\$ 459,906	\$ 231,052	\$ 209,401	\$ 481,557
Total liabilities	<u>\$ 459,906</u>	<u>\$ 231,052</u>	<u>\$ 209,401</u>	<u>\$ 481,557</u>

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD

Major Governmental Funds

School Operating Fund

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

School Textbook Adoptions Fund

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

Adult Education Fund

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

Nonmajor Governmental Funds

School Cafeteria Fund

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

Employee Child Care Fund

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

Head Start Fund

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

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COUNTY OF ORANGE, VIRGINIA

COMBINING BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
Year Ended June 30, 2014

	School Operating	School Textbook Adoptions	Adult Education	Total Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,362,833	\$ 359,845	\$ 11,340	\$ 95,480	\$ 1,829,498
Accounts receivable, net	1,112,698	-	8,851	8,511	1,130,060
Due from other governmental units	1,623,248	-	18,270	56,957	1,698,475
Restricted cash	279,375	-	-	-	279,375
Total assets	<u>\$ 4,378,154</u>	<u>\$ 359,845</u>	<u>\$ 38,461</u>	<u>\$ 160,948</u>	<u>\$ 4,937,408</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 735,946	\$ -	\$ 3,316	\$ 8,298	\$ 747,560
Accrued liabilities	3,635,922	-	24,575	152,400	3,812,897
Total liabilities	<u>4,371,868</u>	<u>-</u>	<u>27,891</u>	<u>160,698</u>	<u>4,560,457</u>
Fund balances:					
Restricted	6,286	-	-	-	6,286
Assigned	-	359,845	10,570	250	370,665
Total fund balances	<u>6,286</u>	<u>359,845</u>	<u>10,570</u>	<u>250</u>	<u>376,951</u>
Total liabilities and fund balances	<u>\$ 4,378,154</u>	<u>\$ 359,845</u>	<u>\$ 38,461</u>	<u>\$ 160,948</u>	<u>\$ 4,937,408</u>

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

Total fund balances – governmental funds	\$ 376,951
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	48,162,695
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Other post-employment benefits	(2,299,746)
Compensated absences	(1,669,986)
Capital leases payable	(6,851,135)
Accrued interest	(198,848)
Net position of governmental activities	<u>\$ 37,519,931</u>

COUNTY OF ORANGE, VIRGINIA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
Year Ended June 30, 2014**

	School Operating	School Textbook Adoptions	Adult Education	Total Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Revenue from the use of money and property	\$ -	\$ -	\$ -	\$ 58	\$ 58
Charges for services	24,415	2,834	30,499	588,676	646,424
Miscellaneous	288,061	-	-	-	288,061
Intergovernmental revenues:					
County contribution	19,201,455	-	-	-	19,201,455
Commonwealth	24,425,828	-	139,382	155,238	24,720,448
Federal	1,810,745	-	230,015	2,247,804	4,288,564
Total revenues	<u>45,750,504</u>	<u>2,834</u>	<u>399,896</u>	<u>2,991,776</u>	<u>49,145,010</u>
EXPENDITURES					
Current:					
Education	49,723,762	990,304	406,429	3,014,036	54,134,531
Debt service:					
Principal	205,296				205,296
Interest	25,253				25,253
Total expenditures	<u>49,954,311</u>	<u>990,304</u>	<u>406,429</u>	<u>3,014,036</u>	<u>54,365,080</u>
Deficiency of revenues over expenditures	<u>(4,203,807)</u>	<u>(987,470)</u>	<u>(6,533)</u>	<u>(22,260)</u>	<u>(5,220,070)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	446,946	9,692	14,016	470,654
Transfers out	(470,654)	-	-	-	(470,654)
Total other financing sources (uses)	<u>(470,654)</u>	<u>446,946</u>	<u>9,692</u>	<u>14,016</u>	<u>-</u>
Net change in fund balances	<u>(4,674,461)</u>	<u>(540,524)</u>	<u>3,159</u>	<u>(8,244)</u>	<u>(5,220,070)</u>
FUND BALANCES AT JULY 1	<u>4,680,747</u>	<u>900,369</u>	<u>7,411</u>	<u>8,494</u>	<u>5,597,021</u>
FUND BALANCES AT JUNE 30	<u>\$ 6,286</u>	<u>\$ 359,845</u>	<u>\$ 10,570</u>	<u>\$ 250</u>	<u>\$ 376,951</u>

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

Net change in fund balances – total governmental funds \$ (5,220,070)

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

Capital outlay	6,331,658
Depreciation expense	(3,239,843)
Allocation of debt financed school assets based on current year repayments and drawdowns of bond proceeds	<u>4,338,636</u>
	7,430,451

The issuance of long-term debt provides current financial resources, while the repayment of the principal of long-term debt consumes current financial resources. Neither transaction, however, has any effect on net position.

Capital lease principal payments	205,296
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The net effect of various transactions involving capital assets (i.e. sales, trade-ins, dispositions, and insurance proceeds is to decrease net position). (9,667)

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

Compensated absences	(116,739)
Other post-employment benefits	(198,237)
Accrued interest	<u>(135,539)</u>

Change in net position of governmental activities \$ 1,955,495

COUNTY OF ORANGE, VIRGINIA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
 GOVERNMENTAL FUNDS – DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
 Year Ended June 30, 2014

	School Operating Fund				School Textbook Adoptions Fund				Adult Education Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final			Original	Final		
REVENUES												
Revenue from the use of money and property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	64,000	64,000	24,415	(39,585)	-	-	2,834	2,834	81,475	81,475	30,499	(50,976)
Miscellaneous	100,777	185,434	288,061	102,627	-	-	-	-	-	-	-	-
Intergovernmental revenues:												
County contribution	18,952,326	20,862,090	19,201,455	(1,660,635)	-	-	-	-	-	-	-	-
Commonwealth	24,343,538	24,585,964	24,425,828	(160,136)	-	-	-	-	76,718	115,939	139,382	23,443
Federal	1,862,965	1,905,388	1,810,745	(94,643)	-	-	-	-	191,879	207,016	230,015	22,999
Total revenues	45,323,606	47,602,876	45,750,504	(1,852,372)	-	-	2,834	2,834	350,072	404,430	399,896	(4,534)
EXPENDITURES												
Current:												
Education	44,597,504	46,921,562	49,723,762	(2,802,200)	1,050,000	1,050,000	990,304	59,696	364,228	414,118	406,429	7,689
Debt service:												
Principal	239,747	229,472	205,296	24,176	-	-	-	-	-	-	-	-
Interest	25,253	25,253	25,253	-	-	-	-	-	-	-	-	-
Total expenditures	44,862,504	47,176,287	49,954,311	(2,778,024)	1,050,000	1,050,000	990,304	59,696	364,228	414,118	406,429	7,689
Excess (deficiency) of revenues over expenditures	461,102	426,589	(4,203,807)	(4,630,396)	(1,050,000)	(1,050,000)	(987,470)	62,530	(14,156)	(9,688)	(6,533)	3,155
OTHER FINANCING SOURCES (USES)												
Transfers in	-	-	-	-	446,946	446,946	446,946	-	14,156	9,688	9,692	4
Transfers out	(461,102)	(456,634)	(470,654)	(14,020)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(461,102)	(456,634)	(470,654)	(14,020)	446,946	446,946	446,946	-	14,156	9,688	9,692	4
Net change in fund balances	\$ -	\$ (30,045)	\$ (4,674,461)	\$ (4,644,416)	\$ (603,054)	\$ (603,054)	\$ (540,524)	\$ 62,530	\$ -	\$ -	\$ 3,159	\$ 3,159

COUNTY OF ORANGE, VIRGINIA

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
June 30, 2014**

	<u>School Cafeteria</u>	<u>Employee Childcare</u>	<u>Head Start</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 20,183	\$ 2,982	\$ 72,315	\$ 95,480
Accounts receivable, net	2,477	6,034	-	8,511
Due from other governmental units	56,957	-	-	56,957
Total assets	<u>\$ 79,617</u>	<u>\$ 9,016</u>	<u>\$ 72,315</u>	<u>\$ 160,948</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,730	\$ 1,174	\$ 5,394	\$ 8,298
Accrued liabilities	77,887	7,592	66,921	152,400
Total liabilities	<u>79,617</u>	<u>8,766</u>	<u>72,315</u>	<u>160,698</u>
Fund balances:				
Assigned	-	250	-	250
Total fund balances	<u>-</u>	<u>250</u>	<u>-</u>	<u>250</u>
Total liabilities and fund balances	<u>\$ 79,617</u>	<u>\$ 9,016</u>	<u>\$ 72,315</u>	<u>\$ 160,948</u>

COUNTY OF ORANGE, VIRGINIA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – NONMAJOR SPECIAL REVENUE FUNDS –
DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
Year Ended June 30, 2014**

	<u>School Cafeteria</u>	<u>Employee Childcare</u>	<u>Head Start</u>	<u>Total</u>
REVENUES				
Revenue from the use of money and property	\$ 58	\$ -	\$ -	\$ 58
Charges for services	516,978	71,698	-	588,676
Intergovernmental revenues:				
Commonwealth	155,238	-	-	155,238
Federal	1,036,809	-	1,210,995	2,247,804
	<u>1,709,083</u>	<u>71,698</u>	<u>1,210,995</u>	<u>2,991,776</u>
Total revenues				
EXPENDITURES				
Current:				
Education	1,730,032	73,009	1,210,995	3,014,036
	<u>1,730,032</u>	<u>73,009</u>	<u>1,210,995</u>	<u>3,014,036</u>
Total expenditures				
Excess of revenues over expenditures	<u>(20,949)</u>	<u>(1,311)</u>	<u>-</u>	<u>(22,260)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	14,016	-	-	14,016
Total other financing sources (uses)	14,016	-	-	14,016
Net change in fund balances	(6,933)	(1,311)	-	(8,244)
FUND BALANCES AT JULY 1	<u>6,933</u>	<u>1,561</u>	<u>-</u>	<u>8,494</u>
FUND BALANCES AT JUNE 30	<u>\$ -</u>	<u>\$ 250</u>	<u>\$ -</u>	<u>\$ 250</u>

COUNTY OF ORANGE, VIRGINIA

BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT
ECONOMIC DEVELOPMENT AUTHORITY
June 30, 2014

ASSETS

Cash and cash equivalents	\$ 1,396,753
Total assets	<u>\$ 1,396,753</u>

LIABILITIES AND FUND BALANCE

Liabilities:	
Accounts payable	\$ 14,418
Total liabilities	<u>14,418</u>

Fund balance:

Assigned	<u>1,382,335</u>
Total fund balance	<u>1,382,335</u>
Total liabilities and fund balance	<u>\$ 1,396,753</u>

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

Total fund balance	\$ 1,382,335
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>129,172</u>
Net position of governmental activities	<u>\$ 1,511,507</u>

COUNTY OF ORANGE, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
DISCRETELY PRESENTED COMPONENT UNIT
ECONOMIC DEVELOPMENT AUTHORITY
Year Ended June 30, 2014**

REVENUES

Revenue from the use of money and property	\$ 3,914
Intergovernmental revenues:	
County contribution	<u>599,943</u>
Total revenues	<u>603,857</u>

EXPENDITURES

Current:	
Community development	<u>601,885</u>
Total expenditures	<u>601,885</u>
Excess of revenues over expenditures	<u>1,972</u>
Net change in fund balance	<u>1,972</u>

FUND BALANCE AT JULY 1	<u>1,380,363</u>
FUND BALANCE AT JUNE 30	<u><u>\$ 1,382,335</u></u>

There are no differences between the amounts reported above as the change in fund balance and the amounts reported as changes in net assets on the Statement of Activities (Exhibit 2).

STATISTICAL SECTION

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

<u>Contents</u>	<u>Table</u>
Financial Trends These tables contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.	1-4
Revenue Capacity These tables contain information to help the reader assess the factors affecting the County's ability to generate revenues through property, sales taxes, and other means.	5-8
Debt Capacity These tables present information to help the reader assess the affordability of the County's current levels of outstanding debt and the Town's ability to issue additional debt in the future.	9-10
Demographic and Economic Information These tables offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place and to help make comparison over time and with other governments.	11-12
Operating Information These schedules contain information about the County's operations and resources to help the reader understand how the County's financial information relates to the services the County provides and the activities it performs.	13

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

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TABLE 1

COUNTY OF ORANGE, VIRGINIA

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Governmental activities										
Net investment in capital assets	\$ 2,016,519	\$ 1,237,313	\$ 2,422,835	\$ 11,254,062	\$ 6,973,273	\$ 5,816,416	\$ 6,899,872	\$ 4,870,909	\$ 9,363,277	\$ 7,389,293
Restricted	155,000	155,000	-	-	-	-	-	-	-	-
Unrestricted	22,056,719	19,545,539	20,175,732	19,290,317	19,826,534	21,206,936	22,349,138	23,236,212	24,799,517	21,901,113
Total governmental activities net position	<u>24,228,238</u>	<u>20,937,852</u>	<u>22,598,567</u>	<u>30,544,379</u>	<u>26,799,807</u>	<u>27,023,352</u>	<u>29,249,010</u>	<u>28,107,121</u>	<u>34,162,794</u>	<u>29,290,406</u>
Business-type activities										
Net investment in capital assets	14,827,910	15,240,183	12,913,544	11,649,754	9,873,370	9,337,495	8,274,862	-	-	-
Unrestricted	350,025	616,845	2,018,586	2,666,307	2,342,618	1,355,176	828,666	-	-	-
Total business-type activities net position	<u>15,177,935</u>	<u>15,857,028</u>	<u>14,932,130</u>	<u>14,316,061</u>	<u>12,215,988</u>	<u>10,692,671</u>	<u>9,103,528</u>	<u>-</u>	<u>-</u>	<u>-</u>
Primary government										
Net investment in capital assets	16,844,429	16,477,496	15,336,379	22,903,816	16,846,643	15,153,911	15,174,734	4,870,909	9,363,277	7,389,293
Restricted	155,000	155,000	-	-	-	-	-	-	-	-
Unrestricted	22,406,744	20,162,384	22,194,318	21,956,624	22,169,152	22,562,112	23,177,804	23,236,212	24,799,517	21,901,113
Total primary government net position	<u>\$ 39,406,173</u>	<u>\$ 36,794,880</u>	<u>\$ 37,530,697</u>	<u>\$ 44,860,440</u>	<u>\$ 39,015,795</u>	<u>\$ 37,716,023</u>	<u>\$ 38,352,538</u>	<u>\$ 28,107,121</u>	<u>\$ 34,162,794</u>	<u>\$ 29,290,406</u>

TABLE 2

COUNTY OF ORANGE, VIRGINIA

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Expenses										
Governmental activities										
General government	\$ 3,179,303	\$ 3,251,588	\$ 3,147,031	\$ 3,568,522	\$ 4,859,717	\$ 5,107,926	\$ 3,387,068	\$ 3,003,694	\$ 2,763,001	\$ 2,341,890
Judicial administration	1,550,961	1,555,502	1,591,338	1,496,249	1,320,372	1,471,735	1,377,117	1,240,757	1,181,123	1,101,740
Public safety	10,514,385	10,415,818	9,801,548	9,755,361	10,017,491	9,951,868	8,715,289	8,695,463	6,247,025	5,393,425
Public works	842,455	920,361	790,439	642,287	679,892	800,019	616,698	1,218,688	1,539,839	1,880,492
Health and welfare	5,661,805	5,677,690	5,981,549	6,471,864	5,235,344	4,579,632	4,490,368	3,790,421	3,518,227	3,516,557
Education	24,173,025	24,769,534	28,150,265	19,494,387	19,675,748	20,716,819	20,282,099	17,154,592	18,215,899	11,331,591
Parks, recreation, and cultural	1,232,679	1,217,282	1,255,820	1,074,565	1,645,909	1,766,622	2,646,279	2,583,963	2,189,340	1,968,330
Community development	1,506,917	1,025,612	1,027,386	1,013,298	1,506,794	1,542,893	1,737,481	2,167,702	1,720,063	665,415
Interest	3,655,244	3,928,975	4,124,114	4,388,109	3,749,091	2,629,414	2,690,659	2,617,981	2,810,123	2,635,332
Total governmental activities	52,316,774	52,762,362	55,869,490	47,904,642	48,690,358	48,566,928	45,943,058	42,473,261	40,184,640	30,834,772
Business-type activities										
Airport	983,900	916,700	898,525	840,425	733,545	548,514	568,900	-	-	-
Landfill	2,848,400	2,276,549	2,111,304	3,347,359	2,246,931	2,616,278	3,161,506	-	-	-
Total business-type activities expense	3,832,300	3,193,249	3,009,829	4,187,784	2,980,476	3,164,792	3,730,406	-	-	-
Total primary government expenses	56,149,074	55,955,611	58,879,319	52,092,426	51,670,834	51,731,720	49,673,464	42,473,261	40,184,640	30,834,772
Program revenues										
Governmental activities										
Charges for services										
General government	1,093,314	1,055,846	1,100,931	1,771,477	-	-	-	-	-	-
Judicial administration	364,960	291,311	219,673	340,045	68,202	31,787	87,693	155,591	168,416	215,273
Public safety	1,504,002	1,326,899	1,606,510	1,317,980	1,512,408	1,267,967	960,636	911,715	985,938	893,633
Public works	-	-	-	-	-	166,136	292,287	543,931	502,646	358,607
Health and welfare	2,523	-	-	-	-	-	-	-	-	-
Education	222,483	170,955	185,123	271,022	-	-	-	-	-	-
Parks, recreation, and cultural	121,074	156,424	154,866	134,921	432,304	522,889	1,012,648	1,084,077	967,809	816,855
Community development	-	-	-	-	505	-	-	-	2,960	3,189
Operating grants and contributions	5,760,431	5,198,455	5,836,506	7,393,931	6,034,820	5,791,917	5,568,166	5,805,572	5,132,282	4,775,102
Capital grants and contributions	540,000	-	-	47,546	625,490	661,450	878,745	1,114,046	1,709,449	1,418,746
Total governmental activities program revenues	9,608,787	8,199,890	9,103,609	11,276,922	8,673,729	8,442,146	8,800,175	9,614,932	9,469,500	8,481,405
Business-type activities										
Charges for services										
Airport	429,389	422,685	470,543	417,480	307,756	223,071	285,453	-	-	-
Landfill	326,146	286,168	333,339	309,195	255,400	317,267	531,189	-	-	-
Operating grants and contributions	9,115	24,513	9,296	11,568	538,546	965,798	1,766,434	-	-	-
Capital grants and contributions	553,624	475,995	605,634	1,144,325	-	-	-	-	-	-
Total business-type activities program revenues	1,318,274	1,209,361	1,418,812	1,882,568	1,101,702	1,506,136	2,583,076	-	-	-
Total primary government program revenues	10,927,061	9,409,251	10,522,421	13,159,490	9,775,431	9,948,282	11,383,251	9,614,932	9,469,500	8,481,405

(Continued)

TABLE 2

COUNTY OF ORANGE, VIRGINIA

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Net (expense) revenue										
Governmental activities	\$ (42,707,987)	\$ (44,562,472)	\$ (46,765,881)	\$ (36,627,720)	\$ (40,016,629)	\$ (40,124,782)	\$ (37,142,883)	\$ (32,858,329)	\$ (30,715,140)	\$ (22,353,370)
Business-type activities	(2,514,026)	(1,983,888)	(1,591,017)	(2,305,216)	(1,878,774)	(1,658,656)	(1,147,330)	(1,192,828)	-	-
Total primary government net expense	(45,222,013)	(46,546,360)	(48,356,898)	(38,932,936)	(41,895,403)	(41,783,438)	(38,290,213)	(34,051,157)	(30,715,140)	(22,353,370)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	37,715,684	35,876,658	33,228,086	32,155,490	31,599,974	30,690,664	28,715,860	25,212,472	23,299,421	21,598,071
Local sales and use	2,249,569	1,980,974	1,867,506	1,740,887	1,679,256	1,825,239	2,065,302	2,102,596	2,073,563	1,941,534
Consumers' utility taxes	2,004,316	2,035,551	2,024,767	2,086,617	2,050,682	2,091,128	2,174,844	1,087,064	1,003,459	824,666
Consumption taxes	99,172	96,389	89,117	101,613	90,711	91,249	88,810	87,131	122,586	78,857
Cable franchise taxes	-	-	-	-	-	-	-	71,315	61,553	57,292
E-911 taxes	-	-	-	-	-	-	-	188,853	355,080	394,164
Cellular phone taxes	-	-	-	-	-	-	-	193,332	313,258	323,304
Motor vehicle license taxes	960,387	914,527	662,916	652,932	677,609	662,465	626,497	35,106	648,453	617,435
Taxes on recordation and wills	434,981	460,522	379,057	381,132	455,274	471,439	699,013	794,539	1,180,858	818,847
Restaurant food taxes	713,125	646,602	631,748	577,864	510,629	514,019	540,904	541,263	429,096	409,958
Other local taxes	137,535	207,100	143,343	152,660	115,720	83,338	93,386	84,397	92,602	102,631
Unrestricted revenues from use of money and property	133,126	192,056	234,352	354,819	1,974,347	1,006,373	2,091,066	1,414,945	1,285,767	630,817
Miscellaneous	349,951	304,803	294,343	491,702	580,009	690,938	676,056	195,531	1,508,103	297,771
Grants and contributions not restricted to specific programs	2,878,322	3,038,845	2,948,932	2,945,313	2,978,545	2,974,228	3,024,981	2,870,001	3,213,729	2,810,083
Transfers	(2,034,892)	(2,852,270)	(2,145,373)	(3,890,516)	(3,295,789)	(3,201,956)	(2,485,976)	(3,087,955)	-	-
Total governmental activities	45,641,276	42,901,757	40,358,794	37,750,513	39,416,967	37,899,124	38,310,743	31,790,590	35,587,528	30,905,430
Business-type activities:										
Unrestricted revenues from use of money and property	-	-	-	-	-	40,775	33,880	35,247	-	-
Miscellaneous	40,902	56,516	61,713	48,104	106,302	5,068	-	-	-	-
Transfers	2,034,892	2,852,270	2,145,373	3,890,516	3,295,789	3,201,956	2,485,976	3,087,955	-	-
Total business-type activities	2,075,794	2,908,786	2,207,086	3,938,620	3,402,091	3,247,799	2,519,856	3,123,202	-	-
Total primary government	47,717,070	45,810,543	42,565,880	41,689,133	42,819,058	41,146,923	40,830,599	34,913,792	35,587,528	30,905,430
Changes in Net Position										
Governmental activities	2,933,289	(1,660,715)	(6,407,087)	1,122,793	(599,662)	(2,225,658)	1,167,860	(1,067,739)	4,872,388	8,552,060
Business-type activities	(438,232)	924,898	616,069	1,633,404	1,523,317	1,589,143	1,372,526	1,930,374	-	-
Total primary government	\$ 2,495,057	\$ (735,817)	\$ (5,791,018)	\$ 2,756,197	\$ 923,655	\$ (636,515)	\$ 2,540,386	\$ 862,635	\$ 4,872,388	\$ 8,552,060

TABLE 3

COUNTY OF ORANGE, VIRGINIA

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>		
General Fund						
Committed	\$ 71,125	\$ 71,125	\$ 144,000	\$ -		
Assigned	3,096	82,564	1,743,994	2,488,194		
Unassigned	19,919,081	18,297,201	17,583,447	17,101,685		
Total general fund	<u>\$ 19,993,302</u>	<u>\$ 18,450,890</u>	<u>\$ 19,471,441</u>	<u>\$ 19,589,879</u>		
All Other Governmental Funds						
Restricted	\$ 448,020	\$ 714,249	\$ -	\$ 2,387,117		
Committed	187,444	252,351	289,624	211,209		
Assigned	2,032,623	1,963,019	1,747,670	2,383,275		
Unassigned	-	-	-	(107,010)		
Total all other governmental funds	<u>\$ 2,668,087</u>	<u>\$ 2,929,619</u>	<u>\$ 2,037,294</u>	<u>\$ 4,874,591</u>		
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
General Fund						
Reserved	\$ -	\$ -	\$ -	\$ 11,924,047	\$ 10,926,181	\$ 10,299,878
Unreserved	17,204,546	17,204,546	15,756,672	6,010,892	7,106,515	8,763,365
Total general fund	<u>\$ 17,204,546</u>	<u>\$ 17,204,546</u>	<u>\$ 15,756,672</u>	<u>\$ 17,934,939</u>	<u>\$ 18,032,696</u>	<u>\$ 19,063,243</u>
All Other Governmental Funds						
Reserved	\$ 10,052,344	\$ 34,667,985	\$ 1,371,161	\$ 2,265,476	\$ 3,427,367	\$ 2,415,367
Unreserved, reported in:						
Special revenue fund	487,893	400,645	238,715	126,342	915,799	399,756
Debt services fund	489,312	1,209,197	-	-	-	-
Capital projects fund	2,810,885	3,699,353	21,400,988	4,536,111	5,727,834	4,146,299
Total all other governmental funds	<u>\$ 13,840,434</u>	<u>\$ 39,977,180</u>	<u>\$ 23,010,864</u>	<u>\$ 6,927,929</u>	<u>\$ 10,071,000</u>	<u>\$ 6,961,422</u>

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

TABLE 4

COUNTY OF ORANGE, VIRGINIA

CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

UNAUDITED

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
REVENUES										
General property taxes	\$ 37,312,103	\$ 35,560,361	\$ 33,241,812	\$ 32,506,482	\$ 31,547,517	\$ 30,505,130	\$ 28,258,629	\$ 25,565,511	\$ 23,602,447	\$ 21,705,461
Other local taxes	6,599,085	6,341,665	5,798,454	5,693,705	5,579,881	5,738,877	6,288,756	5,185,596	6,280,508	5,568,688
Permits, privilege fees, and regulatory licenses	321,965	354,996	304,007	225,857	171,857	178,415	306,181	550,158	623,031	675,005
Fines and forfeitures	96,143	17,964	337	50,182	38,798	260	407	1,956	1,422	1,102
Revenue from use of money and property	133,126	192,056	234,352	354,819	1,974,347	1,006,373	2,089,726	1,414,945	1,285,767	630,817
Charges for services	1,834,792	1,703,656	1,626,213	1,787,930	1,802,764	1,810,104	2,046,676	2,143,200	2,003,316	1,611,450
Miscellaneous	349,951	304,803	294,343	491,702	580,009	720,399	676,056	195,531	1,508,103	297,771
Recovered costs	1,658,315	1,595,849	1,620,931	2,266,476	214,018	163,170	171,527	60,490	286,981	219,527
Intergovernmental:										
Local government	-	-	-	-	-	-	-	-	36,269	-
Commonwealth	7,986,858	7,100,892	7,751,463	8,988,937	7,669,016	7,288,382	7,004,007	6,692,331	6,966,667	6,174,105
Federal	1,191,895	981,408	1,033,975	1,397,853	1,969,839	2,139,213	2,469,225	3,097,288	3,052,524	2,829,826
Total revenues	<u>57,484,233</u>	<u>54,153,650</u>	<u>51,905,887</u>	<u>53,763,943</u>	<u>51,548,046</u>	<u>49,550,323</u>	<u>49,311,190</u>	<u>44,907,006</u>	<u>45,647,035</u>	<u>39,713,802</u>
EXPENDITURES										
General government	2,793,382	2,937,819	2,721,480	2,717,558	2,967,297	3,334,401	2,936,254	2,621,032	2,268,798	1,979,038
Judicial administration	1,542,439	1,479,337	1,487,657	1,402,807	1,386,268	1,485,689	1,407,439	1,283,875	1,174,246	1,099,273
Public safety	10,482,533	9,787,671	9,307,451	9,241,293	9,156,532	9,046,350	8,476,543	8,253,771	6,294,257	5,524,201
Public works	842,977	854,968	739,907	749,891	695,733	932,482	697,084	613,288	2,061,668	1,714,695
Health and welfare	5,693,169	5,278,422	5,581,402	6,066,615	5,247,601	4,550,477	4,482,198	3,774,708	3,492,498	3,516,108
Education	19,201,455	19,617,055	17,777,521	16,357,351	16,863,445	17,726,509	17,148,492	15,406,279	15,352,687	12,380,334
Parks, recreation, and cultural	1,201,478	1,141,213	1,168,824	1,010,633	1,441,339	1,750,969	2,650,633	2,514,024	2,145,518	1,891,866
Community development	1,507,750	952,071	960,472	947,721	1,453,749	1,541,267	1,681,742	2,146,077	1,362,168	1,077,812
Nondepartmental	74,854	58,853	56,646	79,648	64,989	70,641	1,929	1,386	75,188	22,496
Capital projects	1,062,318	953,451	3,203,261	7,642,665	25,991,675	17,978,293	12,756,559	2,447,742	5,611,190	6,330,765
Debt service:										
Principal	5,469,436	5,398,954	5,248,884	5,612,231	4,053,986	3,528,930	3,011,120	2,825,416	3,320,548	2,003,081
Interest and fiscal charges	3,990,869	4,233,801	4,462,741	4,738,377	3,994,632	2,849,764	2,574,325	2,914,272	2,554,408	2,675,684
Bond issuance costs	-	-	-	-	-	161,844	636,298	-	-	-
Total expenditures	<u>53,862,660</u>	<u>52,693,615</u>	<u>52,716,246</u>	<u>56,566,790</u>	<u>73,317,246</u>	<u>64,957,616</u>	<u>58,460,616</u>	<u>44,801,870</u>	<u>45,713,174</u>	<u>40,215,353</u>
Excess of revenues over (under) expenditures	<u>3,621,573</u>	<u>1,460,035</u>	<u>(810,359)</u>	<u>(2,802,847)</u>	<u>(21,769,200)</u>	<u>(15,407,293)</u>	<u>(9,149,426)</u>	<u>105,136</u>	<u>(66,139)</u>	<u>(501,551)</u>
OTHER FINANCING SOURCES (USES)										
Transfers in	11,604,410	11,440,832	11,345,608	9,156,316	9,086,109	8,694,491	9,288,064	6,891,911	6,090,826	4,996,596
Transfers out	(13,639,302)	(14,293,103)	(13,490,981)	(13,046,832)	(12,381,898)	(11,896,447)	(11,774,040)	(9,979,866)	(6,090,826)	(4,996,596)
Bonds issued	-	-	-	-	-	30,550,000	5,220,000	-	15,214,434	-
Premium on bonds issued	-	-	-	-	-	2,847,298	280,267	-	773,145	-
Proceeds on capital leases	56,207	747,000	-	-	-	-	1,644,968	-	-	-
Refunding of bonds	-	-	-	-	-	-	31,235,000	-	(15,000,000)	-
Discount on lease revenue and refunding bonds	-	-	-	-	-	-	(724,544)	-	-	-
Payment to bond escrow agent	-	-	-	-	-	-	(10,359,432)	-	-	-
Capital contributions	-	155,000	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>(1,978,685)</u>	<u>(1,950,271)</u>	<u>(2,145,373)</u>	<u>(3,890,516)</u>	<u>(3,295,789)</u>	<u>30,195,342</u>	<u>24,810,283</u>	<u>(3,087,955)</u>	<u>987,579</u>	<u>-</u>
Net change in fund balances	<u>\$ 1,642,888</u>	<u>\$ (490,236)</u>	<u>\$ (2,955,732)</u>	<u>\$ (6,693,363)</u>	<u>\$ (25,064,989)</u>	<u>\$ 14,788,049</u>	<u>\$ 15,660,857</u>	<u>\$ (2,982,819)</u>	<u>\$ 921,440</u>	<u>\$ (501,551)</u>
Debt service as a percentage of noncapital expenditures	<u>17.92%</u>	<u>18.62%</u>	<u>19.61%</u>	<u>21.16%</u>	<u>17.01%</u>	<u>13.97%</u>	<u>13.81%</u>	<u>13.55%</u>	<u>14.65%</u>	<u>13.81%</u>

TABLE 5

COUNTY OF ORANGE, VIRGINIA

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

Tax Year	Real Estate (1)						Personal Property								
	Residential	Commercial	Agricultural	Land Use Deferment	Public Service Companies (2)	Nominal Tax Rate per \$100	Personal Property (3)	Nominal Tax Rate per \$100	Mobile Homes	Nominal Tax Rate per \$100	Machinery and Tools	Nominal Tax Rate per \$100	Merchants' Capital	Nominal Tax Rate per \$100	
2014	\$ 2,851,679,600	\$ 285,469,200	\$ 935,478,300	\$ (392,770,900)	\$ 156,469,027	\$ 0.804	\$ 260,018,870	\$ 3.750	\$ 4,659,999	\$ 0.804	\$ 31,425,320	\$ 1.831	\$ 47,827,072	\$ 0.400	
2013	2,831,446,900	278,849,200	937,481,400	(395,149,600)	158,528,254	0.720	253,822,185	3.750	4,772,504	0.720	30,302,947	1.831	38,623,768	0.400	
2012	2,813,280,900	268,501,700	934,808,400	(399,110,800)	150,901,640	0.720	247,033,473	3.750	4,753,499	0.720	32,438,245	1.831	36,833,317	0.400	
2011	4,049,804,500	274,307,300	1,299,776,700	(627,490,300)	146,290,996	0.490	238,198,946	3.270	5,857,655	0.490	46,108,840	1.831	34,275,835	0.400	
2010	4,032,854,000	276,234,300	1,303,981,800	(618,427,800)	149,505,359	0.490	233,050,277	3.270	5,888,190	0.490	49,158,875	1.831	34,848,749	0.400	
2009	4,012,310,300	276,643,400	1,312,888,700	(605,297,900)	140,776,365	0.470	227,694,111	3.270	6,142,616	0.470	51,910,995	1.831	38,197,251	0.400	
2008	3,966,139,800	274,589,900	1,327,183,700	(613,881,300)	134,996,368	0.470	351,899,437	2.200	6,073,710	0.470	62,542,275	1.831	38,635,793	0.400	
2007	3,832,636,100	273,206,951	1,341,185,300	(594,753,400)	138,373,058	0.420	324,623,641	2.200	6,376,260	0.420	67,804,289	1.831	38,535,558	0.400	
2006	1,703,444,000	140,473,400	453,776,600	(89,432,700)	60,793,710	0.870	303,837,917	2.200	7,391,460	0.870	59,068,436	1.831	37,568,681	0.400	
2005	1,566,939,300	131,423,200	449,218,600	(92,575,300)	70,530,610	0.840	274,370,387	2.200	7,604,983	0.840	60,500,467	1.831	34,972,515	0.400	

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

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

(3) Personal property was assessed at retail value prior to 2009 when the County began assessing at trade-in value.

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

(5) Until 2010, RVs were included with boats because they were taxes at the same rate. Campers were included in regular personal property until 2012 when the Board decided RVs and Campers should have the same rate.

Source: Commissioner of Revenue

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

COUNTY OF ORANGE, VIRGINIA

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

Personal Property (Continued)														Total Taxable Assessed Value	Direct* Tax Rate per \$100
Tax Year	Business and Heavy Equipment (4)	Nominal Tax Rate per \$100	RVs and Campers (5)	Nominal Tax Rate per \$100	Airplanes	Nominal Tax Rate per \$100	Boats	Nominal Tax Rate per \$100	Logging Equipment	Nominal Tax Rate per \$100	Public Service Companies (2)	Nominal Tax Rate per \$100			
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	0.635	
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	0.632	
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	0.630	
2009	32,970,619	2.200	-	-	3,814,495	0.700	9,737,873	0.700	-	-	238,528	3.270	5,508,027,353	0.663	
2008	-	-	-	-	3,711,290	0.550	11,582,732	1.650	-	-	213,094	3.270	5,563,686,799	0.592	
2007	-	-	-	-	3,403,890	0.550	9,652,980	1.650	-	-	222,651	2.200	5,441,267,278	0.656	
2006	-	-	-	-	3,688,380	0.550	9,291,537	1.650	-	-	147,171	2.200	2,690,048,592	1.034	
2005	-	-	-	-	2,136,935	0.550	8,162,686	1.650	611,355	0.920	166,575	2.200	2,514,062,313	0.998	

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

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

(3) Personal property was assessed at retail value prior to 2009 when the County began assessing at trade-in value.

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

(5) Until 2010, RVs were included with boats because they were taxes at the same rate. Campers were included in regular personal property until 2012 when the Board decided RVs and Campers should have the same rate.

Source: Commissioner of Revenue

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

TABLE 6

COUNTY OF ORANGE, VIRGINIA

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

Direct Rates*										
Tax Year	Real Estate (2)	Personal Property (2,3)	Mobile Homes	Machinery and Tools (2)	Merchants' Capital	Business Equipment	RVs and Campers	Airplanes	Boats	Total Direct Rate
2014	0.729	0.225	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	-	0.005	0.924
2011	0.457	0.141	0.001	0.015	0.002	0.012	0.001	-	0.004	0.634
2010	0.457	0.138	0.001	0.016	0.003	0.013	0.001	-	0.003	0.632
2009	0.457	0.135	0.001	0.017	0.003	0.013	-	-	0.004	0.630
2008	0.430	0.207	0.001	0.021	0.003	-	-	-	0.001	0.662
2007	0.431	0.131	0.001	0.023	0.003	-	-	-	0.003	0.592
2006	0.354	0.249	0.001	0.040	0.006	-	-	0.001	0.006	0.656
2005	0.736	0.240	0.003	0.044	0.006	-	-	0.001	0.005	1.034

Overlapping Rates						
Tax Year	Town of Orange			Town of Gordonsville		
	Real Estate (2)	Personal Property (2)	Machinery and Tools	Real Estate	Personal Property	Machinery and Tools
2014	0.155	0.830	0.066	0.100	0.990	0.240
2013	0.155	0.830	0.066	0.100	0.990	0.240
2012	0.145	0.830	0.066	0.095	0.990	0.240
2011	0.114	0.830	0.066	0.095	0.990	0.240
2010	0.114	0.830	0.066	0.095	0.990	0.240
2009	0.114	0.600	0.066	0.095	0.990	0.240
2008	0.114	0.600	0.066	0.095	0.800	0.170
2007	0.114	0.600	0.066	0.095	0.800	0.170
2006	0.114	0.600	0.066	0.170	0.800	0.170
2005	0.240	0.600	0.066	0.170	0.800	0.170

(1) Per \$100 of assessed value

(2) Includes Public Service Companies

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

TABLE 7

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

Taxpayer	Type of Business	2014			2005		
		Assessed Value (1)	Rank	Percentage of Total Taxable Assessed Value	Assessed Value (1)	Rank	Percentage of Total Taxable Assessed Value
VanHoven Enterprises, LLC	Horticulture	\$ 48,988,400	1	1.28%	\$ -	-	0.00%
Holtzbrinck Publishers	Book Distributor	18,418,100	2	0.48%	22,837,100	1	1.13%
Aerojet General Corp	Manufacturing	11,868,000	3	0.31%	13,016,200	2	0.64%
Wal-Mart	Retail	11,437,700	4	0.30%	-	-	0.00%
Orange Village	Shopping Center	9,406,700	5	0.25%	4,929,800	3	0.24%
Barboursville Corporation	Winery	7,366,000	6	0.19%	2,945,400	9	0.15%
American Color Inc.	Horticulture	6,726,800	7	0.18%	-	-	0.00%
American Woodmark	Manufacturing	6,658,400	8	0.17%	3,880,000	5	0.19%
PMC Distribution	Manufacturing	6,809,400	9	0.18%	3,437,800	6	0.17%
Schooler Prop of Wilderness	Shopping Center	4,906,200	10	0.13%	-	-	0.00%
Lohman Corporation	Manufacturing	-	-	0.00%	2,195,900	10	0.11%
L & M Properties LLC	Manufacturing	-	-	0.00%	3,242,500	8	0.16%
One America Place	Manufacturing	-	-	0.00%	3,292,700	7	0.16%
General Shale	Manufacturing	-	-	0.00%	3,923,700	4	0.19%
Total Principal Property Tax Payers' Assessed Values		132,585,700		3.46%	63,701,100		3.14%
All Other Tax Payers' Assessed Values		<u>3,703,739,527</u>		<u>96.54%</u>	<u>1,963,830,177</u>		<u>96.86%</u>
Total Annual Assessed Values		<u>\$ 3,836,325,227</u>		<u>100.00%</u>	<u>\$ 2,027,531,277</u>		<u>100.00%</u>

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

Source: Commissioner of Revenue

TABLE 8

COUNTY OF ORANGE, VIRGINIA

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

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2014	\$ 40,285,579	\$ 39,072,965	96.99%	\$ -	\$ 37,414,751	95.76%
2013	38,114,349	37,414,751	98.16%	43,866	37,414,751	98.16%
2012	32,995,952	32,237,484	97.70%	13,751	32,251,235	97.74%
2011	31,815,752	31,299,234	98.38%	290,106	31,589,340	99.29%
2010	31,189,040	30,128,613	96.60%	1,059,808	31,188,421	100.00%
2009	31,114,223	29,624,406	95.21%	1,403,261	31,027,667	99.72%
2008	28,931,323	28,369,702	98.06%	482,794	28,852,496	99.73%
2007	25,148,884	24,720,477	98.30%	424,016	25,144,493	99.98%
2006	23,323,620	22,722,591	97.42%	599,472	23,322,063	99.99%
2005	21,643,012	21,022,481	97.13%	619,456	21,641,937	100.00%

Source: Commissioner of Revenue, County Treasurer's Office

TABLE 9

COUNTY OF ORANGE, VIRGINIA

**RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
UNAUDITED**

Fiscal Year	Governmental Activities				Total Primary Government	Percentage of Personal Income (1)	Debt Per Capita (1)
	General Obligation Bonds	Literary Fund Loans	Other Notes/ Bonds	Capital Leases			
2014	\$ 54,474,685	\$ -	\$ 26,666,166	\$ 1,310,884	\$ 82,451,735	N/A	2,377
2013	59,095,722	-	27,133,866	1,565,987	87,795,575	N/A	2,539
2012	61,063,084	-	28,775,000	1,050,901	90,888,985	7.15%	2,654
2011	65,397,332	-	29,535,000	1,205,537	96,137,869	8.12%	2,833
2010	73,209,104	-	29,589,064	1,657,766	104,455,934	9.10%	3,269
2009	76,354,106	-	29,836,524	2,136,850	108,327,480	9.88%	2,383
2008	45,920,518	-	29,997,222	2,594,984	78,512,724	8.25%	1,715
2007	43,021,209	-	9,900,000	894,582	53,815,791	5.94%	1,937
2006	45,569,781	-	9,900,000	1,281,452	56,751,233	6.83%	2,017
2005	32,543,400	-	24,900,000	1,640,802	59,084,202	7.11%	2,128

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

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

COUNTY OF ORANGE, VIRGINIA

TABLE 10

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

Fiscal Year Ended June 30	Gross Bonded Debt	Less: Amounts Reserved for Debt Service	Net Bonded Debt	Ratio of Net General Obligation Debt to Assessed Value	Net Bonded Debt per Capita (1)
2014	\$ 54,474,685	\$ -	\$ 54,474,685	1.30%	\$ 1,570
2013	59,095,722	-	59,095,722	1.29%	1,708
2012	61,063,084	-	61,063,084	1.34%	1,783
2011	65,397,332	-	65,397,332	1.06%	1,927
2010	102,404,572	489,312	101,915,260	1.67%	3,037
2009	106,190,630	1,209,197	104,981,433	1.72%	3,150
2008	75,917,740	1,371,161	74,546,579	1.21%	2,263
2007	52,921,209	2,265,476	50,655,733	0.76%	1,614
2006	55,469,781	3,427,367	52,042,414	1.89%	1,776
2005	57,443,400	2,415,367	55,028,033	2.16%	1,878

- (1) Population data can be found in the Schedule of Demographic and Economic Statistics - Table 13
- (2) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property - Table 7
- (3) Includes all long-term general obligation bonded debt, Literary Fund Loans, excludes revenue bonds, capital leases, and compensated absences.

COUNTY OF ORANGE, VIRGINIA

**DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED**

Fiscal Year Ended June 30	Population (1)	Personal Income (1)	Per Capita Personal Income (1)	Median Age (2)	Public School Average Daily Membership (3)	Unemployment Rate (4)
2014	34,689	N/A	N/A	N/A	4,971	5.40%
2013	34,580	N/A	N/A	N/A	4,960	6.00%
2012	34,246	1,271,930,686	37,141	42.6	5,044	6.70%
2011	33,938	1,183,902,000	34,884	41.9-44	5,027	6.80%
2010	33,559	1,148,376,000	34,220	40-44.8	5,058	7.70%
2009	33,329	1,096,430,000	32,897	40-44.8	5,110	3.20%
2008	32,942	951,101,424	28,872	40-44.8	5,044	2.90%
2007	31,387	906,205,464	28,872	40-44.9	4,869	2.90%
2006	29,300	830,772,200	28,354	40-44.9	4,614	2.80%
2005	29,300	830,772,200	28,354	40-44.9	4,295	2.80%

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

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

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

(4) Source: Virginia Workforce Connection

TABLE 12

COUNTY OF ORANGE, VIRGINIA

**PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED**

Employer	2014			2005		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
MPS	285	1	1.81%	315	1	2.18%
Orange County Nursing Home/ Dogwood Village			0.00%			
Dogwood Village	282	2	1.79%	208	4	1.44%
Germanna Community College	200	3	1.27%	260	3	1.80%
Battlefield Farms	185	4	1.17%	110	10	0.76%
American Woodmark Corporation	180	5	1.14%	284	2	1.97%
Aerojet General Corporation	165	6	1.05%	124	9	0.86%
Ridgid Tool Manufacturing	121	7	0.77%	183	6	1.27%
Food Lion	116	8	0.74%	157	7	1.09%
PBM Products, LLC a Perrigo Co	110	9	0.70%	98	11	0.68%
McDonalds	106	10	0.67%	-	-	0.00%
Zamma Corporation	105	11	0.67%	-	-	0.00%
Klockner-Intertrans Carrier	80	12	0.51%	-	-	0.00%
American Press	-	-	0.00%	200	5	1.39%
AB& C Group	-	-	0.00%	140	8	0.97%
Hafner	-	-	0.00%	90	12	0.62%
	<u>1,935</u>		<u>12.27%</u>	<u>2,169</u>		<u>15.02%</u>
Total County Employment	15,765			14,440		

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

TABLE 13

COUNTY OF ORANGE, VIRGINIA

**OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS
UNAUDITED**

Function	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Public safety										
Sheriffs department: (1)										
Physical arrests	1,085	1,017	994	804	840	847	996	1,059	331	976
Traffic violations	2,499	2,602	2,017	2,429	3,320	3,260	2,294	1,328	320	1,894
Civil papers	10,919	9,913	10,379	10,679	11,051	11,920	11,648	11,361	3,893	11,068
Fire and rescue:										
Number of calls answered	5,707	5,962	6,834	5,463	5,696	4,686	5,385	5,281	4,174	5,248
Building inspections:										
Permits issued	848	826	693	633	679	675	985	1,207	980	1,514
Animal control:										
Number of calls answered (1)	1229	776	1,385	1,319	1,213	658	767	947	8,370	25,162
Public works										
General maintenance:										
Trucks/vehicles	3	3	3	3	3	3	16	15	15	13
Landfill:										
Refuse collected (total tons per year)	24,373	23,696	25,985	33,269	35,946	44,914	47,762	76,656	71,866	56,600
Recycling (total tons per year)	1,979	7,000	1,733	1,561	2,076	2,343	4,035	N/A	881	876
Health and welfare										
Department of Social Services (reported by calendar year):										
Eligibility Caseload	N/A	N/A	N/A	4,406	5,542	3,466	4,035	N/A	3,084	2,700
Adult Protective Service Caseload	N/A	N/A	N/A	365	330	351	275	N/A	N/A	N/A
Child Abuse Service Caseload	N/A	N/A	N/A	273	262	237	267	N/A	N/A	N/A
Culture and recreation										
Parks and recreation:										
After-school program participants	144	116	99	196	177	-	461	379	360	315
Youth sports participants	591	541	931	456	439	364	1,864	1,139	866	1,262
Community development										
Planning:										
Zoning permits issued	290	313	283	252	355	337	497	764	695	1,276
Component Unit – School Board										
Education:										
Average Daily Membership (ADM)	4,971	4,960	5,023	5,027	5,058	5,110	5,044	4,869	4,614	4,295
Number of teachers	348	346	339	346	391	388	386	390	N/A	347
Local expenditures per pupil	3,690	3,908	3,198	3,216	n/a	3,458	3,418	3,280	N/A	3,006

TABLE 13

COUNTY OF ORANGE, VIRGINIA

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

Employee Population											
General administration	32	103	101	31	38	35	38	N/A	N/A	N/A	
Judicial administration	21	15	11	16	23	23	23	N/A	N/A	N/A	
Public safety	113	107	100	93	126	114	109	N/A	N/A	N/A	
Public works	8	9	9	8	8	6	8	N/A	N/A	N/A	
Health and welfare	-	-	-	-	3	2	3	N/A	N/A	N/A	
Education	-	-	-	-	-	-	-	N/A	N/A	N/A	
Parks, recreation, and cultural	59	12	20	35	62	58	90	N/A	N/A	N/A	
Community development	10	4	7	9	10	10	13	N/A	N/A	N/A	
Non-departmental	-	-	45	-	-	-	-	N/A	N/A	N/A	
Airport	4	4	3	4	4	4	5	N/A	N/A	N/A	
Landfill	40	39	31	33	36	34	36	N/A	N/A	N/A	
Capital Assets (net of accumulated depreciation)											
General administration	14,557,883	15,439,858	15,068,367								
Judicial administration	13,588	-	-	N/A							
Public safety	2,057,784	1,750,344	1,622,991	N/A							
Public works	265,767	424,182	387,448	N/A							
Health and welfare	45,282	-	30,018	N/A							
Education	96,257,186	94,077,159	95,082,005	N/A							
Parks, recreation and cultural	272,228	15,594	94,105	N/A							
Community development	142,711	63,510	129,172	N/A							
Airport	11,526,529	11,327,593	11,646,100	N/A							
Landfill	3,301,381	3,912,590	1,267,444	N/A							
Total	\$ 128,440,339	\$ 127,010,830	125,327,650	N/A							

Source: Individual county departments

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

COMPLIANCE SECTION

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

Honorable Members of Board of Supervisors
County of Orange, Virginia

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns* and the *Specifications for Audits of Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Orange, Virginia, (the “County”) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County’s basic financial statements, and have issued our report thereon dated December 18, 2014.

Internal Control over Financial Reporting

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

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

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

Internal Control over Financial Reporting (Continued)

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. **We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 11-01 and 14-01 to be material weaknesses.**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. **The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.**

County of Orange, Virginia's Response to Findings

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

Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
December 18, 2014



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

Honorable Members of Board of Supervisors
County of Orange, Virginia

Report on Compliance for Each Major Federal Program

We have audited the County of Orange, Virginia’s (the “County”) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County’s major federal programs for the year ended June 30, 2014. The County’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the County’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the County of Orange, Virginia, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

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

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

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

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
December 18, 2014

COUNTY OF ORANGE, VIRGINIA

SUMMARY OF COMPLIANCE MATTERS

June 30, 2014

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

STATE COMPLIANCE MATTERS

Code of Virginia:

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

State Agency Requirements:

Education
Social Services

FEDERAL COMPLIANCE MATTERS

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

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

COUNTY OF ORANGE, VIRGINIA

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014**

Federal Grantor/Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Cluster Amounts	Federal Expenditures
Department of Health and Human Services:			
Direct Payments:			
Headstart Program	93.600	1,210,995	\$ 1,210,995
Pass Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556		\$ 17,874
Temporary Assistance to Needy Families (TANF)	93.558		192,279
Refugee and Entrant Assistance - Discretionary Grants	93.566		1,267
Low Income Home Energy Assistance	93.568		18,730
Child Care Mandatory and Matching funds of the Child Care and Development Fund	93.596		25,617
Child Welfare Services - State Grants	93.645		1,344
Foster Care - Title IV-E	93.658		131,469
Adoption Assistance	93.659		248,528
Social Services Block Grant	93.667		126,299
Chafee Foster Care Independence Program	93.674		3,059
Children's Health Insurance Program	93.767		6,415
Medical Assistance Program	93.778		<u>182,861</u>
Total Department of Health & Human Services-pass through			<u>\$ 955,742</u>
Total Department of Health and Human Services			<u>\$ 2,166,737</u>
Department of Agriculture:			
Pass Through Payments:			
Food Distribution - Schools	10.555	127,988	
Department of Education:			
National school breakfast program	10.553	178,304	
National school lunch program	10.555	835,582	
Special Milk Program for Children	10.556	<u>22,923</u>	
Total Child Nutrition Cluster			1,164,797
Department of Social Services:			
State Administration:			
SNAP Cluster:			
Matching Grants for Supplemental Nutrition Assistance Program	10.561		<u>\$ 201,172</u>
Total Department of Agriculture			<u>\$ 1,365,969</u>
Department of the Interior:			
Direct payments:			
Bureau of Land Management:			
Payments in Lieu of Taxes	15.226		<u>\$ 2,586</u>

COUNTY OF ORANGE, VIRGINIA

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014**

<u>Federal Grantor/Pass - Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Cluster Amounts</u>	<u>Federal Expenditures</u>
Department of Transportation:			
Direct Payments:			
Airport Improvement Program	20.106		236,933
Pass Through Payments:			
Department of Motor Vehicles:			
State and community highway safety program	20.600		9,804
Total Department of Transportation			<u>\$ 246,737</u>
Pass Through Payments:			
Department of Education:			
Adult Education - Basic Grants to States	84.002		\$ 230,015
Title I grants to local educational agencies (Title 1 Part A Cluster)	84.010		561,632
School Improvements Grants	84.377		34,688
Special Education-Grants to States (Special Education Cluster)	84.027	865,971	
Special Education - preschool grants (Special Education Cluster)	84.173	<u>29,662</u>	
Total Special Education Cluster:			895,633
Career and Technical Education: Basic grants to states	84.048		73,035
English language acquisition grants	84.365		5,592
Improving Teacher Quality State Grants	84.367		<u>179,490</u>
Total Department of Education			<u>\$ 1,980,085</u>
Department of Defense:			
Direct Payments:			
ROTC language and culture training grants	12.357		<u>\$ 63,305</u>
Total Expenditures of Federal Awards			<u><u>\$ 5,825,419</u></u>

NOTE 1 - BASIS OF PRESENTATION:

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

NOTE 2 - FOOD DISTRIBUTION:

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

COUNTY OF ORANGE, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2014

A. SUMMARY OF AUDITOR'S RESULTS

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

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

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

B. FINDINGS – FINANCIAL STATEMENT AUDIT

11-01: Segregation of Duties (Material Weakness)

Condition:

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

Recommendation:

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

Management's Response:

The auditee concurs with this recommendation.

COUNTY OF ORANGE, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2014

B. FINDINGS – FINANCIAL STATEMENT AUDIT (CONTINUED)

14-01: Local Sales Tax Distribution - County (Material Weakness)

Condition:

It was brought to our attention by the County that they have been paying amounts in excess of the amount required for its local sales tax distribution to Towns located within the County since 2012. This error occurred as a result of using incorrect school age population percentages as published by the Weldon Cooper Center for Public Service and also due to a lack of review of these calculations. The excess amount is material to the financial statements of the County. We believe a material weakness exists due to the lack of review of the calculations and due to the amount and scope of the estimated overpayments.

Recommendation:

We recommend procedures be implemented by both the Treasurer's office and finance department to review the monthly calculation before the disbursement occurs. This review should be by someone other than the preparer and the review should be documented. We also recommend a procedure be put in place to ensure the correct school population percentages are used, as these estimates change yearly.

Management's Response:

The auditee concurs with the recommendation and has implemented a procedure to prevent a recurrence. First, the formula will be subject to a documented annual update and review process between the Finance Department and Treasurer's Office. Second, each month, the Treasurer will remit a detailed worksheet with a request for payment to the Towns of Gordonsville and Orange through the Finance Department's regular accounts payable process. Finally, the Finance Department will review the calculation and process the request through a workflow approval process prior to releasing the payments.

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

None.

COUNTY OF ORANGE, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2014

D. FINDINGS – COMMONWEALTH OF VIRGINIA

14-02: Continuity of Operations Plan

Condition:

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

Recommendation:

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

Management's Response:

The auditee concurs with the recommendation.