COUNTY OF ORANGE, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2015

PREPARED BY:

FINANCE DEPARTMENT
ORANGE, VIRGINIA

COUNTY OF ORANGE, VIRGINIA
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INTRODUCTORY SECTION

ORANGE COUNTY, VIRGINIA

Office of the County Administrator

R. BRYAN DAVID
COUNTY ADMINISTRATOR

bdavid@orangecountyva.gov
PHONE: (540) 672-3313
FAX: (540) 672-1679

MAILING ADDRESS:
PO BOX 111
ORANGE, VA 22960

PHYSICAL ADDRESS:
112 WEST MAIN STREET
ORANGE, VA 22960

January 28, 2016

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, 2015.

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, 2015. 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 34,763. The County was named after William IV, Prince of Orange, and was formed in 1734. The Town of Orange became Orange County's judicial seat in 1749 when Culpeper County was formed making the previous courthouse location at Raccoon Ford far from the center of the new County.

Orange County Courthouse

The County includes two incorporated towns, the Towns of Gordonsville (population 1,583) 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.

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.

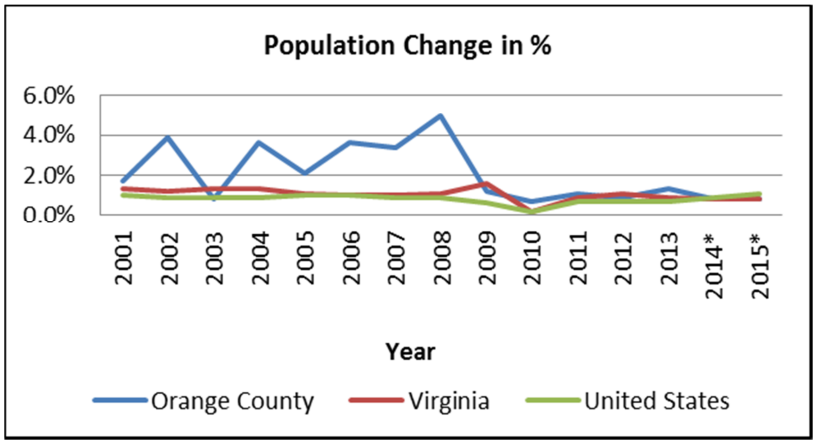
Orange County is financially accountable for a legally separate school district, which is reported separately within the financial statements as a component unit. Orange County Public Schools is the single largest service provided by the County. The School Board is composed of five elected members from 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 2014-2015 was 4,969. This represents a decrease of two students from the prior year. The mission statement adopted by the Orange County Public Schools is: *"Improving the future by empowering our students to value learning, achieve their full potential, and pursue their dreams."*

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

Virginia law requires the County to maintain a balanced budget in each fiscal year. The annual budget serves as the foundation of the County's financial planning and control. County departments and agencies begin their budget preparation each fall. In February, the County Administrator submits a proposed operating and capital budget. The operating and capital budgets include proposed expenditures and the means of financing such expenditures. Work sessions are scheduled to further refine the proposal and align it with 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 2015. 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, Fredericksburg, and the Washington D.C./Northern Virginia metropolitan area. As indicated in the following chart, Orange County's population growth between 2001 and 2009 was well above the state and national rates and growth in the commercial and service sectors of the economy accompanied the new residents. As the general economy slowed, so did the in-migration and the most recent estimates now indicate Orange County's population growth has fallen below the state and national rates.



During FY15, a study was conducted by Mangum Economics to measure the economic impact of the rapidly-growing tourism industry within the County. Orange County is home to a number of historical sites, vineyards and agritourism businesses which have flourished during the past decade. The study revealed that, in 2013, tourism contributed $17.5 million in labor income and $56.1 million in local economic output to Orange County's economy. In addition, tourism activity was responsible for generating $5.9 million in additional state and local tax revenue and $6.7 in federal tax revenue for a total of $12.6 million in overall tax revenue. Of that total, approximately $2.8 million is comprised of local tax revenue that is collected by Orange County. The analysis revealed that tourism directly contributed a total of 616 jobs within the County.

The study concluded that local tourism-related businesses can play a particularly useful role in rounding out the economic development strategies of rural communities such as Orange County. Tourism businesses can accomplish this by creating and aiding in the retention of jobs, increasing economic diversity, taking advantage of existing rural and agricultural assets, generating new business opportunities for complimentary products and services, providing entry level positions which develop soft skills in first-time workers, and fostering the development of critical customer and local supplier networks.

James Madison's Montpelier

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

Following Mrs. Scott's death, and in accordance with her bequest, ownership of Montpelier was transferred to the National Trust for Historic Preservation which later established The Montpelier Foundation. In 2003, the Montpelier Foundation began restoration of the property to the 1820s home that James and Dolley Madison called home. Today, the home offers a window into the life and legacy of the Madisons, and a place of education where visitors, scholars and educators can explore the ideas of the Father of the Constitution and fourth president of the United States. The estate currently receives over 100,000 visitors a year and continues to also host the annual Montpelier Hunt Races.

Agriculture continues to play a major role in the County's economic life. The number of farms in the County has actually grown over the last several years even though the acreage devoted to farming has declined slightly. In addition to farming, however, the County is home to several related agribusinesses including 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.

Barboursville Winery

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.

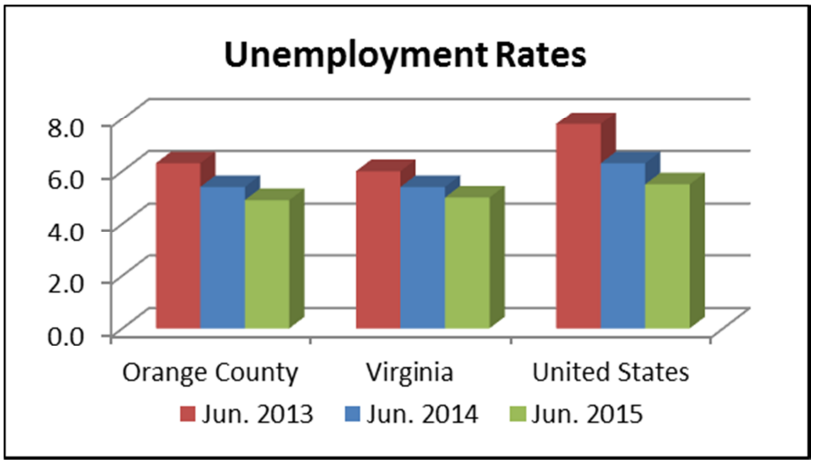
During FY14, the Virginia Economic Development Partnership (VEDP) worked with Orange County, the Town of Gordonsville and the Central Virginia Partnership for Economic Development to secure a major economic development project in Orange County. Virginia Governor Terry McAuliffe approved a $540,000 grant from the Governor's Opportunity Fund to assist Orange County and Gordonsville in recruiting Green Applications LLC, one of the largest printers and distributors of textile merchandise and heat applied graphics on the East Coast. The company created over 300 new jobs within the County with an investment of over $9.75 million.

Homestead Building Systems
Grand Opening

On May 15, 2015, Homestead Building Systems, Inc., a manufacturer of specialized wall panels, roof trusses, and a full line of engineered wood products, celebrated a successful year of business at their new manufacturing operation near the airport in Orange County. The company invested an additional $750,000 in the facility and created approximately 45 jobs during its first year of operation.

In the fall of 2014, Orange County became the location for a small independent film production called *Coming through the Rye*. The film was set in the late 1960's and a coming of age story about an unpopular 16 year old attending an all boys' boarding school who runs away to search for JD Salinger. More than 40 Virginians were hired to work on the film includingcamera men, electricians, drivers, hair and makeup, wardrobe, art department, and general support. During the production, lodging was provided for 65 people within Orange County, a total of $50,000 was spent on meals and catering and another $45,000 was spent on vehicle rentals. The Woodberry Forest School in neighboring Madison County was an important partner and played a key role in landing the project according to the Virginia Film Office.

The Orange Workforce Center was established to assist job seekers and employers and works with an average of 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, 2015, of 4.9%; slightly less than the state average of 5.0%, and also below the national unemployment rate of 5.3%.



According to the Bureau of Economic Analysis, Orange County per capita personal income rose by .9% over the previous year compared to the state-wide increase of 2.8%. The national increase in per capita personal income was 3.6%. Local Option Sales Tax revenue for the fiscal year totaled $2,928,817, a 7.9% increase over FY14.

The taxable assessed value of real property in the County increased by .46% for the 2015 tax year and regular personal property increased by 2.75%. As the local economy continued to improve, Machinery and Tools assessed values rebounded by 16% as new investments were made in this category by local industries. Business and Heavy Equipment values also increased, but only by 1.6%. Merchants Capital assessed values decreased by 6.9% for the 2015 tax year, however they were still 15.2% over the 2013 assessed values. Assessed values for RVs, Campers and Boats increased by approximately 9.5% over the prior year, while total assessed values for Airplanes decreased by .7%. Total property assessments for all property types increased by .67% and 1.1% for tax years 2014 and 2015 respectively.

The Orange County Economic Development Authority began taking steps during FY15 to prepare its first strategic plan for the economic development of the County. Several groups were engaged to develop a key list of priorities for the plan which is expected to be complete prior to FY17. Target industries were identified through numerous community input sessions and meetings with stakeholders including the Orange County Chamber of Commerce, Orange County School Board, major employers, environmental groups, faith based and minority groups, Town Councils, the County Board of Supervisors and the Economic Development Authority. At the current time, the Orange County Economic Development Department is in the process of preparing a first draft of the plan.

Economic Development Authority Strategic Plan Initiative

Major Initiatives

During FY15, the County continued to progress on a number of projects including another county-wide general reassessment of real property, the purchase of two replacement ambulances, an inspection vehicle and the enhancement of voting equipment. A significant investment was also made in replacing key equipment for the Fire and EMS Department including cardiac monitors, ventilators and autopulse units.

The County continued its efforts to create an economic development visioning plan for the Germanna-Wilderness Area, located in the eastern end of Orange County. In September 2013, the Board of Supervisors, Economic Development Authority, and Planning Commission created the Route 3 Strategic Visioning Initiative Steering Committee and appointed two (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 charrette. The charrette engaged private sector developers, financial analysts, and engineers, in late March, 2014. From June, 2014 until November, 2014 the Committee drafted a working draft document entitled the Germanna-Wilderness Area Plan (GWAP).

The Germanna-Wilderness Area Plan is a long-term growth management plan for the next 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 Steering Committee initiated a public comment and review period for the working draft of the Germanna-Wilderness Area Plan (GWAP). The Plan was subdivided into eight (8) subareas, each of which represented unique characteristics in existing land uses; natural, cultural, and historic features; infrastructure; and economic development.

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

The adopted plan includes the following components.

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

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

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

At this time, there is growing interest in replicating this successful collaboration of the Board of Supervisors, Planning Commission, and Economic Development Authority to explore the establishment of another area plan for the area located between the Towns of Orange and Gordonsville within the County.

During the FY15 fiscal year, a School Board project was completed 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 and FY15 fiscal years were $284,640 and $503,826 respectively. The first debt service payments were due on the obligation during FY15 and totaled $569,279. 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.

Skydiving from Orange County Airport

The County has planned and undertaken several capital improvement projects at the County Airport to improve access, safety and capacity and make the facility a more valuable tool for economic development in the County. All obstruction removal activities (including easement acquisition) were suspended during FY15 pending the completion of an Environmental Assessment (EA) which was deemed necessary by the Federal Aviation Administration (FAA). The Environmental Assessment draft report is available for public comment at the present time and is expected to be finalized during late February/early March of 2016. Upon completion of the Environmental Assessment, additional avigation 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 FY15, the County substantially completed the replacement of its financial software based on the recommendation of a vendor selection committee. The project effected numerous departments (including schools) and included various work processes including accounts payable, payroll, budgeting, purchasing, revenue billing and collections, permitting, fixed assets, contracts and grant management. The new software has enhanced reporting capabilities and features self-service options for vendors and employees. At June 30, 2015, implementation was complete except for General Billing and Building Permits which will be implemented before the end of FY16. The project has provided more 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 18, 2015, and included the following major assumptions:

- Equalized real estate tax revenue for the 2016 reassessment
- .6% increases in assessed values for real property
- 2.5% increases in assessed values for personal property
- 3% increases in other local taxes
- Existing service levels
- No new positions
- Wage market maintenance adjustments of 2% annually
- All capital outlay and debt service is projected as proposed in the 2017-2021 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 Germanna-Wilderness Area Plan 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.

Five-Year Financial Forecast

	2016-2017 Forecast	2017-2018 Forecast	2018-2019 Forecast	2019-2020 Forecast	2020-2021 Forecast
Revenue:					
General Property Taxes	40,025,218	40,397,781	40,776,132	41,160,394	41,550,694
Other Local Taxes	5,735,695	5,907,766	6,084,999	6,267,549	6,455,575
Permits, Fees, License	294,538	300,429	306,437	312,566	318,817
Fines and Forfeitures	27,500	28,325	29,175	30,050	30,951
Use of Money and Property	1,542,239	1,542,239	1,542,239	1,542,239	1,542,239
Charges for Service	2,048,256	2,071,716	2,095,469	2,119,521	2,143,876
Miscellaneous Revenue	145,961	126,970	129,510	132,100	134,742
Recovered Costs	120,000	122,400	124,848	127,345	129,892
State Aid	8,100,619	8,195,005	8,291,181	8,389,183	8,489,047
Federal Grants	13,550	13,550	13,550	13,550	13,550
Transfer In from Other Funds	1,672	1,705	1,739	1,774	1,810
Other	-	-	-	-	-
Total Revenue & Other Sources	58,055,248	58,707,886	59,395,279	60,096,271	60,811,193
Expenditures	59,145,931	62,266,059	63,275,558	64,318,035	65,833,532
Difference	(1,090,683)	(3,558,173)	(3,880,279)	(4,221,764)	(5,022,339)
One cent of real estate taxes equals	366,416	368,614	370,826	373,051	375,289
Difference expressed as change in real estate tax	2.98	9.65	10.46	11.32	13.38

Relevant Financial Policies

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

Tax Revenue Generation

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

Supporting Financial Operations

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

Debt

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

Capital Improvement Plan and Budget

- The County will prepare annual updates of a five (5) year Capital Improvements Plan (CIP) which will specify proposed funding sources for capital projects, estimate the impact of any new debt, and include the level of annual General Fund contributions required for capital and debt service.
- The County will establish a Capital Projects Reserve Account to serve as the primary source of monies for the CIP. The Reserve may be funded through a combination of sources including transfers from the General Fund, carry-forward funds, user fees, debt proceeds, grants, donations, reserves, and unbudgeted revenue.
- Future combined budgets for General Fund contributions for Debt Service *(net of the amounts reimbursable as an obligation of another entity)* and Capital Projects will be no less than the amounts approved in the FY2014-2015 adopted budget.
- The County will consider additional appropriations to the Capital Projects Reserve Account from the General Fund Unassigned Fund Balance when funds may be available above the minimum amount established by the adopted Reserves Policy.

Reserves

The Board continued its Reserves Policy which sets the minimum level of acceptable unassigned General Fund balance for a fiscal stability reserve at 15% of the combined actual operating expenditures of the General Fund and School Operating Fund (net of inter-fund transfers). In addition, the Board's policy states that unassigned general fund balance should not exceed 18%. At June 30, 2015, unassigned General Fund balance increased slightly from 23.38% to 24.58% of expenditures as defined in the policy. Subsequent to June 30, 2015, carry-forward requests were approved and additional fund balance amounts assigned of $2,386,524 bringing the percentage to 19.7% of operating expenditures when calculated using FY16 budgeted expenditures.

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

AWARDS & ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Orange for its comprehensive annual financial report for the fiscal year ended June 30, 2014. This was the eighth 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

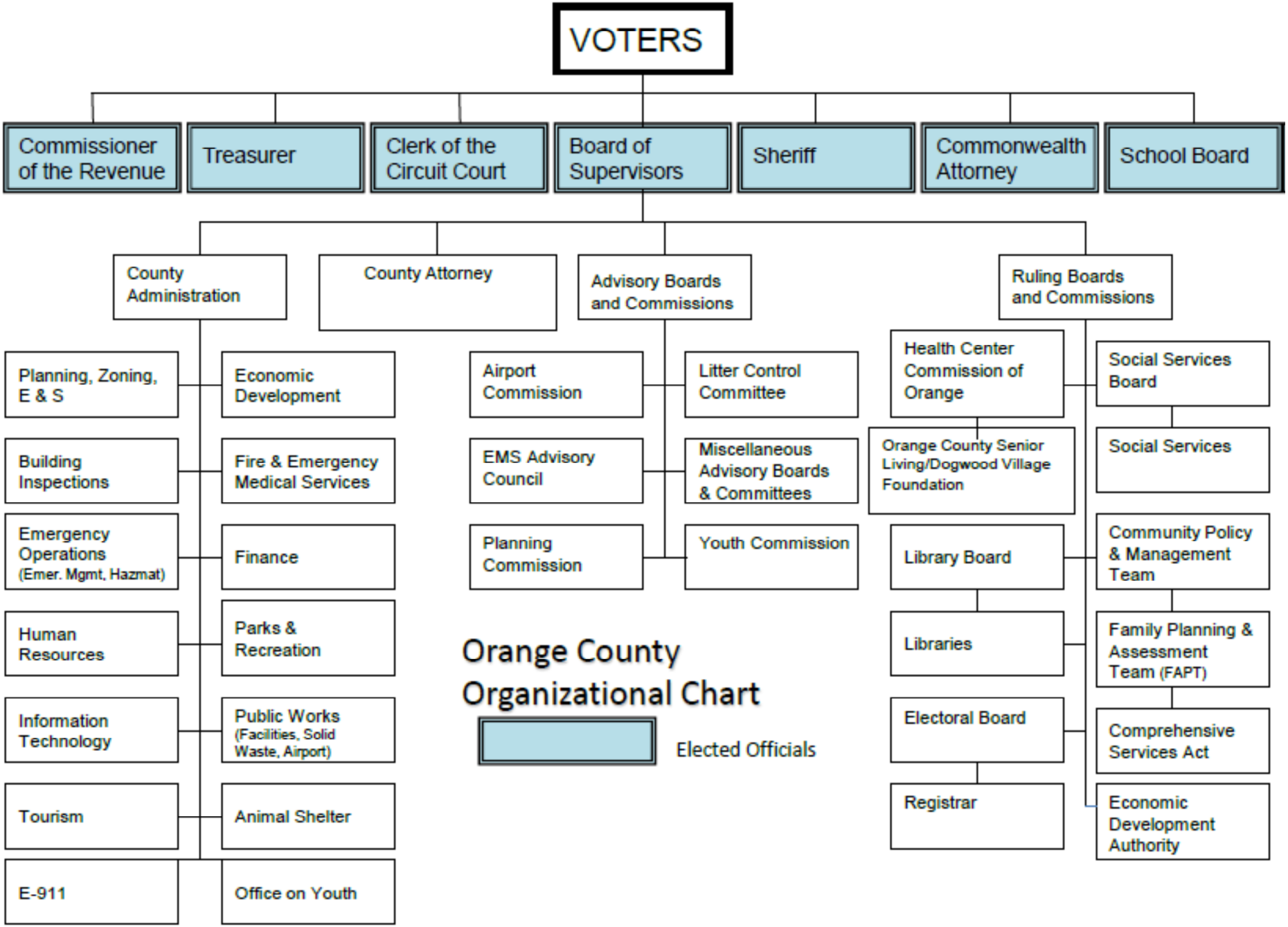
County of Orange

Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO


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

COUNTY OF ORANGE, VIRGINIA

DIRECTORY OF PRINCIPAL OFFICIALS
June 30, 2015

BOARD OF SUPERVISORS

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

Mark Johnson | 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	Daniel R. Bouton
Clerk of the Circuit Court	Teresa T. Carroll
Judges of the General District Court	Robert H. Downer, Jr., Edward K. Carpenter, William G. Barkley and Dale B. Durrer
Judges of the Juvenile & Domestic Relations Court	Richard E. Moore, Edward Dj. Berry, Edward DeJ. Berry and Frank W. Somerville
County Attorney	Thomas E. Lacheney
Commonwealth's Attorney	Diana Wheeler
Commissioner of the Revenue	Renee Pope
Treasurer	Phyllis M. Yancey
Sheriff	Mark A. Amos
Superintendent of Schools	Dr. Brenda Tanner
Clerk of the School Board	Laura Byram
Director of Social Services	Robert D. Lingo
County Administrator	R. Bryan David
Finance Director	Glenda Bradley
School Board Finance Director	Matt Benefield

INDEPENDENT AUDITORS

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

FINANCIAL SECTION

BROWNEDWARDS
certified public accountants

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, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Your Success is Our Focus
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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, 2015, 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 16 to the financial statements, in 2015 the Authority adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27, as amended by GASB Statement No. 71*. 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 and other required supplementary information 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.

Other Matters (Continued)

Other Information (Continued)

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 January 28, 2016 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
January 28, 2016

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, 2015. 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 viii of this report.

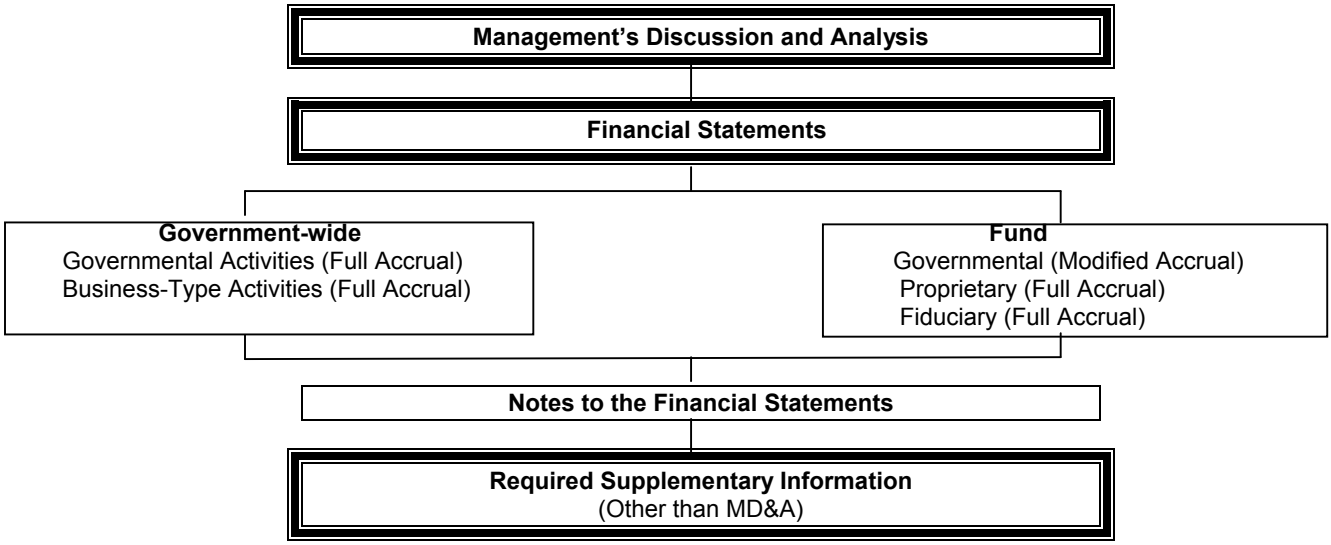
Financial Highlights

- In 2015 the County adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions. The overall effect of this new standard is to reflect the County's long-term Virginia Retirement System (VRS) obligations directly in the financial statements. Previously, such amounts were mostly disclosed, but were not recognized as long as the Authority was current with its required VRS contributions. The new standard not only changes certain measurement methodologies, but also requires certain new disclosures and that the County record a net pension liability directly on the statement of net position. Beginning net position has been restated as discussed in footnote 16, and this has had a significant impact on the County's net position. However, because similar information has been disclosed in prior years, both in the notes to the financial statements and in required supplementary information, the effect of this new standard is not expected to negatively affect how most governmental entities are viewed by sophisticated readers of their financial statements. Because information to restate prior years is not readily available, the prior year comparative information included in this discussion and analysis has not been restated.
- 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 $39,547,137(*net position*). Of this amount $24,723,479 resulted from governmental activities and $14,823,658 from business-type activities.
- On a government-wide basis for governmental activities, the County had expenses net of program revenues of $44,505,594 which were $3,119,282 more than the general revenues and transfers of $47,624,876.
- On a government-wide basis for business-type activities, the County had expenses net of program revenues of $2,719,037. The net position for business-type activities was reduced by a total of $181,905 due to final expenses associated with the completion of the closure of one landfill cell and the construction of a new cell.

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 18-91 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.

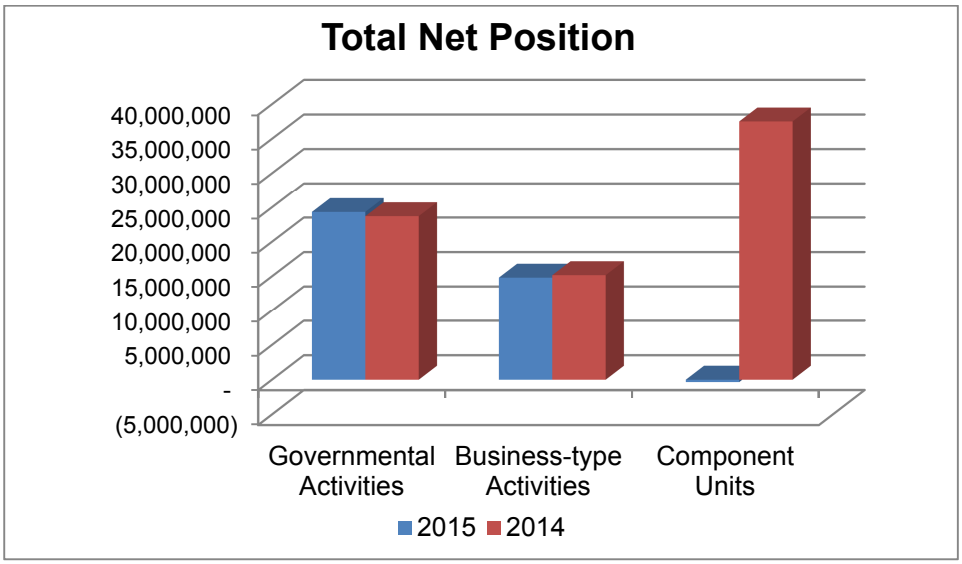
The combining statements in connection with non-major governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found in the other supplementary information section of this report.

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	
	2015	2014	2015	2014	2015	2014
Current and Other Assets	$ 49,344,050	$ 47,290,068	$ 3,253,743	$ 3,427,803	$ 7,559,355	$ 6,334,161
Capital Assets (net)	62,531,744	65,320,562	14,347,875	14,827,910	51,015,751	48,291,867
Total Assets	111,875,794	112,610,630	17,601,618	18,255,713	58,575,106	54,626,028
Total Deferred Outflows of Resources	1,271,026	289,672	43,584	-	3,928,892	-
Long-term Liabilities	82,575,118	84,174,255	2,438,042	2,487,000	50,788,512	10,820,867
Other Liabilities	3,762,869	4,417,936	320,279	590,778	5,060,872	4,773,723
Total Liabilities	86,337,987	88,592,191	2,758,321	3,077,778	55,849,384	15,594,590
Total Deferred Inflows of Resources	2,085,354	594,355	63,223	-	6,997,922	-
Net Position:						
Invested in Capital Assets, Net of Related Debt	3,496,972	2,016,519	14,347,875	14,827,910	44,624,737	41,720,107
Restricted for Capital Projects	155,000	155,000	-	-	-	-
Unrestricted (deficit)	21,071,507	21,542,237	475,783	350,025	(44,968,045)	(2,688,669)
Total Net Position	$ 24,723,479	$ 23,713,756	$ 14,823,658	$ 15,177,935	$ (343,308)	$ 39,031,438



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	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program Revenues						
Charges for Service	$ 3,340,029	$ 3,308,356	$ 665,609	$ 755,535	$ 655,626	$ 646,424
Operating Grants & Contributions	5,953,895	5,760,431	16,995	9,115	31,474,276	29,009,012
Capital Grants & Contributions	-	540,000	298,068	553,624	-	-
General Revenues						
Real Estate & Personal Property Taxes	39,884,990	37,715,684	-	-	-	-
Other Taxes	7,003,529	6,599,085	-	-	-	-
Payments from Primary Government	-	-	-	-	20,135,935	19,801,398
Non-restricted Grants	2,871,718	2,878,322	-	-	-	-
Use of Property & Money	120,969	133,126	-	-	4,199	3,972
Miscellaneous	223,249	349,951	57,553	40,902	475,661	288,061
Total Revenues	59,398,379	57,284,955	1,038,225	1,359,176	52,745,697	49,748,867
Expenses:						
General Administration	3,593,666	3,179,303	-	-	67,678	601,885
Judicial Administration	1,614,274	1,550,961	-	-	-	-
Public Safety	11,256,292	10,514,385	-	-	-	-
Public Works	862,112	842,455	-	-	-	-
Health & Welfare	5,910,475	5,661,805	-	-	-	-
Education	24,906,681	24,173,025	-	-	48,376,893	47,189,515
Parks, Recreation, and Cultural	1,280,110	1,232,679	-	-	-	-
Community Development	931,565	1,506,917	-	-	-	-
Interest on Long-Term Debt	3,444,343	3,655,244	-	-	-	-
Airport	-	-	872,700	983,900	-	-
Landfill	-	-	2,827,009	2,848,400	-	-
Total Expenses	53,799,518	52,316,774	3,699,709	3,832,300	48,444,571	47,791,400
Excess (deficiency) before Transfers	5,598,861	4,968,181	(2,661,484)	(2,473,124)	4,301,126	1,957,467
Transfers In (Out)	(2,479,579)	(2,034,892)	2,479,579	2,034,892	-	-
Change in Net Position	3,119,282	2,933,289	(181,905)	(438,232)	4,301,126	1,957,467
Net Position Beginning, As Adjusted	21,604,197	20,780,467	15,005,563	15,616,167	(4,644,434)	37,073,971
Net Position, Ending	$ 24,723,479	$ 23,713,756	$ 14,823,658	$ 15,177,935	$ (343,308)	$ 39,031,438

Net Position

The Primary Government's governmental net position increased by $3,119,282 or 14.4% during the year ended June 30, 2015. This increase was primarily 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' mainly because of a reduction in revenue received from user charges in the Landfill Fund. A number of commercial waste collection companies that operate within Orange County ultimately dispose of residential waste in neighboring counties. Net position in the County's component units increased by a total of $4,301,126 during FY15. The previous year's increase in net position for the County's component units was $1,957,467.

Unrestricted governmental net position decreased by $470,730. Restricted governmental net position of $155,000 represents Wal-Mart cash payments which were collected as conditions for a special use permit for future capital improvements. Although cash and cash equivalents increased by $2,053,982 in the Primary Government's governmental activities, it decreased by $174,060 in business-type activities mainly because of a reduction in user fee collections within the Landfill Fund. Final expenditures for the landfill closure project were recorded during FY15.

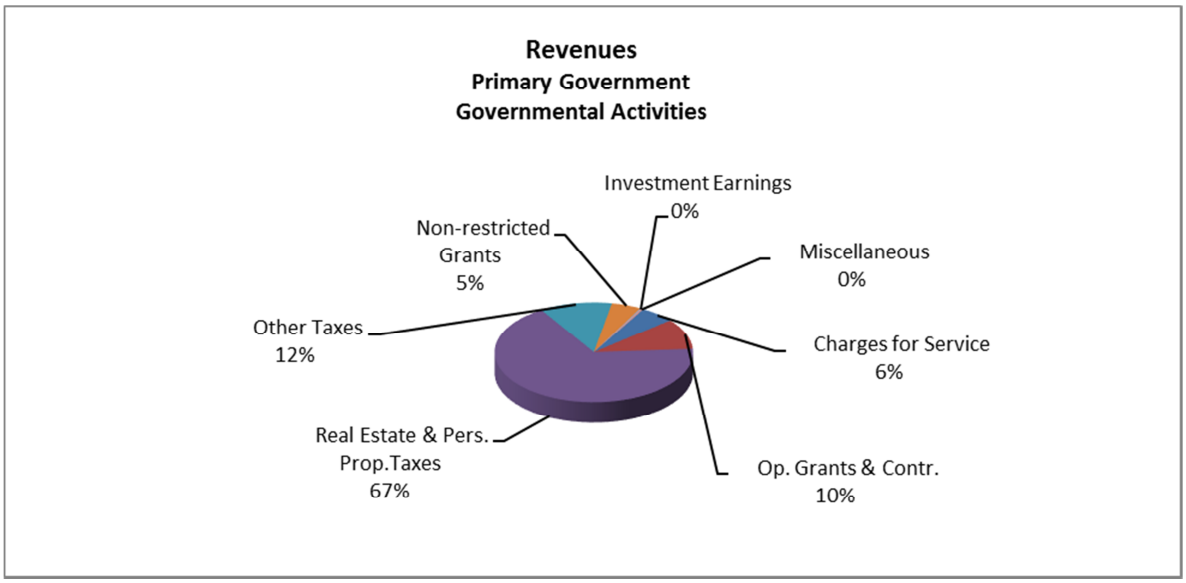
Revenues

For the fiscal year ended June 30, 2015, revenues generated by the Primary Government's governmental activities totaled $59,398,379. General property taxes, the County's largest revenue source, were $39,884,990. 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 FY15 was increased to $0.804 from $0.72 which was the budgeted rate for FY14. The 8.4 cent increase, which generated approximately $3.1 million in additional revenue, 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, unbudgeted revenue from the 2014 first-half tax billing will be transferred to the Capital Project Fund as part of the budget for FY16.

FY15 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 FY15.

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 $404.444 over the previous year. This amount reflects the combination of an increase in sales tax of $372,243 (which included an adjustment to the allocation of sales tax to the County's incorporated Towns) and decreases in Utility Taxes and Motor Vehicle Licensing Taxes. This category also includes modest increases in Recordation Taxes and Restaurant Food Taxes over the prior year.

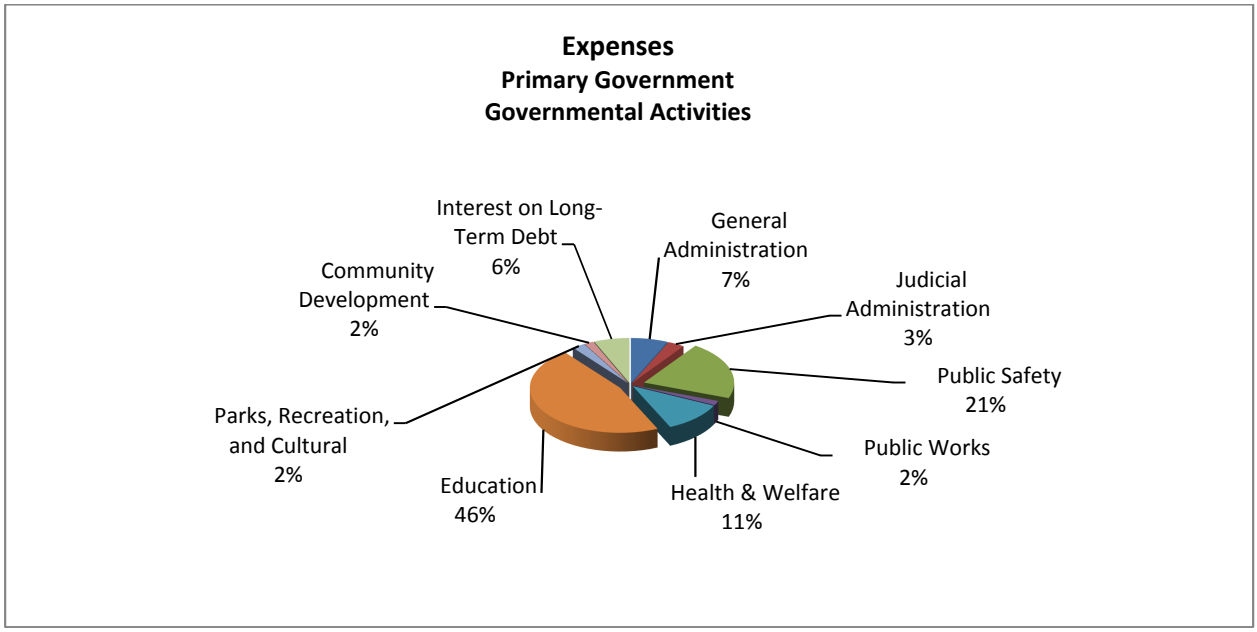
Program revenues are derived from the program itself and reduce the cost of the function to the County. This category includes user fees and operating and capital grant revenues. Total program revenues for governmental activities were $9,293,924, a decrease of $314,863 from the previous year. This decrease is mainly attributable to the fact that a capital grant for $540,000 was received in the previous fiscal year for a one-time economic development incentive. 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 1% which was distributed across functional areas of expenditures. Operating grant revenue increased by $193,464 over the prior year, primarily in the area of Health and Welfare which includes administration of the Comprehensive Service Act. Proprietary funds generated program revenues of $665,609 from user charges and $315,063 in grant revenues. User fees were down significantly in the Landfill Fund and grant revenue was lower due to a delay in reimbursable airport capital projects because of the required preliminary environmental assessment.



Expenses

For the fiscal year ended June 30, 2015, expenses for governmental activities totaled $53,779,518, an increase of $1,462,744. Expenses include the cost of employee compensation, contributions to the school board, and interest on governmental debt. The largest changes are reflected in the Education and Public Safety categories which increased by $733,656 and $741,907 respectively over the previous fiscal year. The FY15 budget included an increase in the local contribution to schools of 6.65% or $1,260,699. The increase in operational funding was intended to cover increases in retirement contributions, operating expenses for opening a new school building, one instructional technology resource teacher position and four testing and technology resource teachers.

In the Primary Government, although increases were originally budgeted, actual personnel expenses for FY15 did not include any across-the-board wage adjustments or adjustments to health insurance contributions. Retirement contributions were reduced from 17.06% to 16.35% of creditable compensation, 5% of which was paid by employee payroll deductions. Six new positions were created in FY15; however the expenses were offset to some degree by the elimination of one part-time position. Governmental activities expenses related to the new positions are included in the Judicial Administration, Public Safety and Economic Development categories.



In General Administration, an increase of $414,363 was largely due to professional services expenses associated with the county-wide reassessment of real property and a reimbursement of local aid to the state of $72,304. The Judicial Administration category reflects increased expenses of $63,313 due to a new position within the Commonwealth Attorney's office. Public Works expenses within governmental activities increased by $19,657 over the previous year due to maintenance and repair expenses for County facilities. The increase of $47,431 in the Parks, Recreation and Cultural category was primarily due to a one-time payment to the Lake of the Woods Association for a paving project, and an increase in parks and recreation program expenditures, which was offset by user fees. The decrease in Community Development reflects the one-time pass-through payment of $540,000 in state grant proceeds for an Economic Development project in FY14. Interest on long-term debt reflects a decrease of $210,901 as the County's outstanding obligations are retired in accordance with debt service schedules.

The County's Proprietary Funds reflect a total of $3,699,709 in expenses compared to $3,832,300 for FY14. Both Airport Fund and Landfill Fund expenses were lower than the previous year. The reduction in the Airport Fund was due to the decrease in fuel prices, which was offset proportionally by revenue reductions within the fund. In the Landfill Fund, reductions in costs were attributable to operational changes in the handling of leachate disposal.

Financial Analysis of the Government's Funds

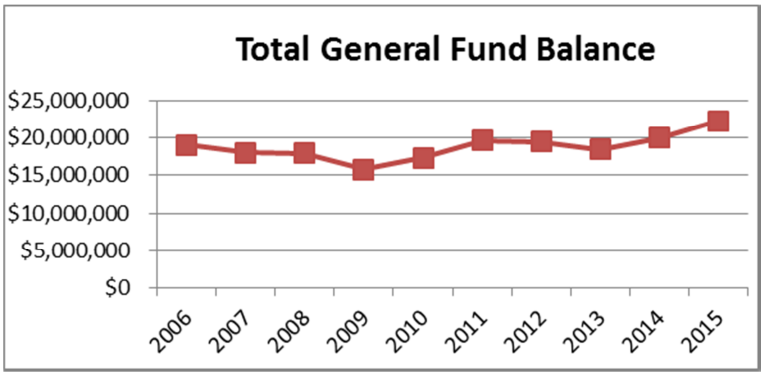
As noted earlier, the County of Orange uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

For the fiscal year ended June 30, 2015, the County's governmental funds reflect a combined fund balance of $24,810,291, some of which is reserved for specific purposes such as capital outlay and debt service. The increase of $2,148,902 over FY14 is concentrated in the General fund and due to positive variances between budgeted and actual expenses. These variances are largely because the timing of projects resulted in a delay in spending a portion of the FY15 appropriations which will be carried forward and expended in FY16.

It should be noted that the *original* FY16 budget includes an appropriation of General Fund balance of $1,539,270 for transfer to the Capital Project Fund. This revenue was generated from a tax increase which was effective with the June, 2014 billing (first half 2014 taxes). This tax 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. On Exhibit 3 this amount is shown within the total General Fund Balance as assigned for subsequent budgets.

At June 30, 2015, unassigned General Fund balance was $20,658,342 or 24.58% of actual operating expenditures as defined by the County's fund balance policy. Total general fund balance increased by $2,284,991 from 2014. Actual General Fund revenues were less than budget estimates (excluding appropriated fund balance) by $222,307 and actual General Fund expenditures were less than budget estimates by $4,456,389. The *revised* FY15 budget included a total of $1,949,091 in appropriated fund balance that was not ultimately used due to the overall favorable budget-to-actual variance.

The Board of Supervisors has established a fund balance policy which sets the minimum level of acceptable unreserved General Fund balance at 15% of the combined actual operating expenditures of the General Fund and School Operating Fund (net of interfund transfers). In addition, the Board's policy states that unassigned General Fund balance should not exceed 18%. At June 30, 2015, unassigned General Fund balance increased from 23.38% of expenditures to 24.58% as defined in the policy. Subsequent to June 30, 2015, carry-forward requests were approved and additional fund balance amounts assigned of $2,386,524 bringing the percentage to 19.7% of operating expenditures when calculated using FY16 budgeted expenditures.



Fund Balance in the Virginia Public Assistance Fund increased by $31,427 due to the timing of expenditures and revenue reimbursements. The total amount of Fund Balance in the Debt Service Fund is assigned for a specific debt service payable. Normally, this fund does not accumulate a Fund Balance because it is funded solely by transfers from the General Fund in an amount equal to the annual debt service due. Fund Balance in the School Capital Project Fund remained unchanged and decreased in the County Capital Project Fund by $169,014. All Fund Balance within the County Capital Project Fund 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.

General Fund Budgetary Highlights

Differences between the original operating budget and the final operating budget resulted in a net increase of $2,290,240 in additional appropriations. Highlights of the budget amendments are as follows:

Budget Amendment	Amount
School Board carryover requests for ongoing projects	$ 1,645,408
General Fund carryover requests for ongoing projects	288,804
Animal Shelter Donations	50,919
E-Rate Grant Funds for Library	30,069
North Anna Emergency Management Grant Award	30,000
Agriculture and Forestry Industries Development Fund Grant	27,500
Office on Youth Fees	26,875
Clerk of Court Technology Trust Fund	22,455
Fire Programs Additional Appropriation	12,682
Library Donations	10,448
Federal Transportation Safety Selective Enforcement Grant	10,000

As detailed above, the largest budget amendment was for the carry forward of unspent funds from FY15 for Orange County Public Schools. The request funded the continuation of several capital projects totaling $858,696, one-time operational expenditures of $337,890 and previously unfunded capital projects of $448,822. The previously unfunded capital projects included the replacement of a shingle roof with a metal one at the sports center and the replacement of two additional school buses. The one-time operational expenses and the new capital items were purchased using operational savings from FY14.

General Fund carryover appropriations included expenditures planned for projects, grants and other items which were incomplete at the end of the fiscal year for a variety of reasons. A total of $88,242 in donations was received and appropriated during the course of the fiscal year for various departments. Other budget amendments included grants awarded during the fiscal year totaling $132,706.

Capital Assets

The County of Orange's investment in capital assets for its governmental and business-type activities as of June 30, 2015, amounts to $76,879,619 (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, 2014	Net Increase/ (Decrease)	Balance June 30, 2015
Governmental Activities:			
Non-Depreciable Assets:			
Land and Land Improvements	$ 1,052,417	$ -	$ 1,052,417
Construction in Progress	484,731	132,592	617,323
Other Capital Assets:			
Buildings & Other Improvements	19,471,141	70,706	19,541,847
School Buildings & Improvements	53,983,059	(4,354,284)	49,628,775
Furniture and Other Equipment	8,328,677	1,405,196	9,733,873
Less: Accumulated Depreciation	(16,733,235)	(1,309,256)	(18,042,491)
Business-type Activities:			
Non-Depreciable Assets:			
Land and Land Improvements	1,829,903	-	1,829,903
Construction in Progress	330,252	274,764	605,016
Other Capital Assets:			
Buildings & Other Improvements	11,616,252	20,687	11,636,939
Landfill Development Costs	3,349,705	-	3,349,705
Furniture and Other Equipment	1,124,878	84,617	1,209,495
Less: Accumulated Depreciation	(3,423,080)	(860,103)	(4,283,183)
Net Capital Assets	$ 81,414,700	$(4,535,081)	$ 76,879,619

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. At June 30, 2015, the County had four 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. During FY15, two ambulances were purchased using lease-purchase financing over a five year term with an interest rate of 1.56%.

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, 2015 is as follows:

General Obligation Bonds		
Series 2001	$	11,810,000
Series 2005		375,544
School Bond Series 2005D		7,902,470
General Obligation Bond Premiums		1,851,304
Virginia Public School Authority Bonds (VPSA)		
Series 1995 A		25,000
Series 2000 B		935,000
Series 2002		825,000
Series 2007 B		3,380,000
Series 2009 B		22,900,000
Lease Revenue Bonds		
Series 2007		26,305,000
Series 2007 Discount		(452,372)
Capital Leases		1,438,147
Landfill closure and post-closure care liability		2,210,000
Net OPEB Obligation		1,006,173
Compensated Absences		1,026,267
Grand Total	**$**	**81,537,533**

The Component Unit School Board's outstanding debt at June 30, 2015 is as follows:

Capital Leases	$	6,391,014
Net OPEB Obligation		2,523,599
Compensated Absences		1,487,899
Grand Total	**$**	**10,402,512**

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/.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

EXHIBIT 1

COUNTY OF ORANGE, VIRGINIA

STATEMENT OF NET POSITION
June 30, 2015

	Primary Government			Discretely Presented Component Unit	
	Governmental Activities	Business-Type Activities	Total	School Board	EDA
ASSETS					
Cash and cash equivalents (Note 3)	$ 26,302,649	$ 3,059,054	$ 29,361,703	$ 3,741,910	$ 1,370,855
Receivables, net (Note 4):					
Taxes receivable	2,369,524	-	2,369,524	-	-
Accounts receivable	1,266,965	37,995	1,304,960	219,457	-
Due from other governments (Note 5)	1,409,912	132,448	1,542,360	1,804,390	-
Inventories	-	24,246	24,246	-	-
Note receivable (Note 1)	17,995,000	-	17,995,000	-	-
Net pension asset (Note 9)		-		422,743	-
Capital assets (Note 7):					
Nondepreciable	1,669,740	2,434,919	4,104,659	8,503,221	129,172
Depreciable, net	60,862,004	11,912,956	72,774,960	42,383,358	-
Total assets	111,875,794	17,601,618	129,477,412	57,075,079	1,500,027
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	265,322	-	265,322	-	-
Pension contributions subsequent to measurement date (Notes 9 and 10)	1,005,704	43,584	1,049,288	3,928,892	-
	1,271,026	43,584	1,314,610	3,928,892	-
LIABILITIES					
Accounts payable and accrued liabilities	2,163,908	320,279	2,484,187	5,005,258	3,063
Accrued interest payable	1,598,961	-	1,598,961	52,551	-
Long-term liabilities:					
Net pension liability (Note 9 and 10)	3,342,097	133,530	3,475,627	40,386,000	-
Due within one year ((Notes 8 and 12)	6,580,001	63,141	6,643,142	814,340	-
Due in more than one year (Notes 8 and 12)	72,653,020	2,241,371	74,894,391	9,588,172	-
Total liabilities	86,337,987	2,758,321	89,096,308	55,846,321	3,063
DEFERRED INFLOWS OF RESOURCES					
Property taxes paid in advance	502,950	-	502,950	-	-
Net difference between projected and actual investment earnings on pension plan investments (Notes 9 and 10)	1,582,404	63,223	1,645,627	6,530,922	-
Changes in proportion – teacher cost sharing pool (Note 10)	-	-	-	467,000	-
	2,085,354	63,223	2,148,577	6,997,922	-
NET POSITION					
Net investment in capital assets	3,496,972	14,347,875	17,844,847	44,495,565	129,172
Restricted for capital projects	155,000	-	155,000	-	-
Unrestricted (deficit)	21,071,507	475,783	21,547,290	(46,335,837)	1,367,792
Total net position	$ 24,723,479	$ 14,823,658	$ 39,547,137	$ (1,840,272)	$ 1,496,964

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

EXHIBIT 2

COUNTY OF ORANGE, VIRGINIA

STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets				
					Primary Government			Discretely Presented Component Units	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	School Board	EDA
Primary Government:									
Governmental activities:									
General government	$ 3,593,666	$ 1,011,671	$ 289,500	$ -	$ (2,292,495)		$ (2,292,495)	$ -	$ -
Judicial administration	1,614,274	317,892	488,780	-	(807,602)		(807,602)	-	-
Public safety	11,256,292	1,583,631	1,789,515	-	(7,883,146)		(7,883,146)	-	-
Public works	862,112	-	-	-	(862,112)		(862,112)	-	-
Health and welfare	5,910,475	-	3,234,045	-	(2,676,430)		(2,676,430)	-	-
Education	24,906,681	289,941	-	-	(24,616,740)		(24,616,740)	-	-
Parks, recreation, and cultural	1,280,110	136,894	152,055	-	(991,161)		(991,161)	-	-
Community development	931,565	-	-	-	(931,565)		(931,565)	-	-
Interest on long-term debt	3,444,343	-	-	-	(3,444,343)		(3,444,343)	-	-
Total governmental activities	53,799,518	3,340,029	5,953,895	-	(44,505,594)		(44,505,594)	-	-
Business-type activities									
Airport	872,700	379,093	5,897	298,068		(189,642)	(189,642)	-	-
Landfill	2,827,009	286,516	11,098			(2,529,395)	(2,529,395)	-	-
Total business-type activities	3,699,709	665,609	16,995	298,068		(2,719,037)	(2,719,037)	-	-
Total primary government	$ 57,499,227	$ 4,005,638	$ 5,970,890	$ 298,068	(44,505,594)	(2,719,037)	(47,224,631)	-	-
Component Unit:									
School Board	$ 48,376,893	$ 655,626	$ 31,474,276	$ -				(16,246,991)	-
Economic Development Authority	67,678	-	-	-				-	(67,678)
Total component units	$ 48,444,571	$ 655,626	$ 31,474,276	$ -				(16,246,991)	(67,678)
General revenues:									
General property taxes					39,884,990	-	39,884,990	-	-
Other local taxes:									
Local sales and use					2,621,812	-	2,621,812	-	-
Consumer's utility tax					1,982,022	-	1,982,022	-	-
Consumption taxes					100,354	-	100,354	-	-
Motor vehicle license taxes					951,035	-	951,035	-	-
Taxes on recordation and wills					446,202	-	446,202	-	-
Restaurant food taxes					742,794	-	742,794	-	-
Other taxes					159,310	-	159,310	-	-
Unrestricted reveneues from use of money and property					120,969	-	120,969	153	4,046
Miscellaneous					223,249	57,553	280,802	475,661	-
County contribution					-	-	-	20,086,846	49,089
Grants and contributions not restricted to specific programs					2,871,718	-	2,871,718	-	-
Transfers (Note 6)					(2,479,579)	2,479,579	-	-	-
Total general revenues and transfers					47,624,876	2,537,132	50,162,008	20,562,660	53,135
Change in net position					3,119,282	(181,905)	2,937,377	4,315,669	(14,543)
NET POSITION AT JULY 1, as restated (Note 16)					21,604,197	15,005,563	36,609,760	(6,155,941)	1,511,507
NET POSITION AT JUNE 30					$ 24,723,479	$ 14,823,658	$ 39,547,137	$ (1,840,272)	$ 1,496,964

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

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FUND
FINANCIAL STATEMENTS

EXHIBIT 3

COUNTY OF ORANGE, VIRGINIA

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	General	Virginia Public Assistance	Debt Service	County Capital Projects	School Capital Projects	Other Governmental Funds	Total
ASSETS							
Cash and cash equivalents (Note 3)	$ 21,919,970	$ 28,552	$ 14,602	$ 2,429,650	$ 16,645	$ 61,412	$ 24,470,831
Receivables, net (Note 4):							
Taxes receivable	2,369,524	-	-	-	-	-	2,369,524
Accounts receivable	1,266,965	-	-	-	-	-	1,266,965
Due from other governments (Note 5)	755,472	139,958	-	-	-	-	895,430
Note receivable (Note 1)	17,995,000	-	-	-	-	-	17,995,000
Total assets	$ 44,306,931	$ 168,510	$ 14,602	$ 2,429,650	$ 16,645	$ 61,412	$ 46,997,750
LIABILITIES							
Accounts payable and accrued expenditures	$ 1,482,632	$ 14,929	$ 550	$ 134,666	$ -	$ 8,676	$ 1,641,453
Total liabilities	1,482,632	14,929	550	134,666	-	8,676	1,641,453
DEFERRED INFLOWS OF RESOURCES							
Unavailable/unearned revenue	20,546,006	-	-	-	-	-	20,546,006
Total deferred inflows of resources	20,546,006	-	-	-	-	-	20,546,006
FUND BALANCES (Note 15)							
Restricted	-	-	-	155,000	-	-	155,000
Committed	71,125	153,581	-	-	-	52,736	277,442
Assigned	1,548,826	-	14,052	2,139,984	16,645	-	3,719,507
Unassigned	20,658,342	-	-	-	-	-	20,658,342
Total fund balances	22,278,293	153,581	14,052	2,294,984	16,645	52,736	24,810,291
Total liabilities, deferred inflows of resources and fund balances	$ 44,306,931	$ 168,510	$ 14,602	$ 2,429,650	$ 16,645	$ 61,412	$ 46,997,750

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

EXHIBIT 4

COUNTY OF ORANGE, VIRGINIA

RECONCILIATION TO THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2015

Total fund balances per Exhibit 3 – Balance Sheet – Governmental Funds	$ 24,810,291
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.	62,531,744
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	20,557,538
Deferred refunding charges are not financial resources and, therefore, not reported in the funds	265,322
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	(75,856,946)
Accrued interest payable	(1,598,961)
Capital leases payable	(1,438,147)
Other post-employment benefits	(958,399)
Compensated absences	(979,529)
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.	1,309,363
Financial statement elements related to pensions are applicable to future periods and, therefore, are not reported in the funds.	
Deferred outflows of resources for 2015 employer contributions	1,005,704
Deferred inflows of resources for the net difference between projected and actual earnings on pension plan investments.	(1,582,404)
Net pension liability	(3,342,097)
Net position of governmental activities	$ 24,723,479

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

EXHIBIT 5

COUNTY OF ORANGE, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2015

	General	Virginia Public Assistance	Debt Service	County Capital Projects	School Capital Projects	Other Governmental Funds	Total
REVENUES							
General property taxes	$ 39,724,465	$ -	$ -	$ -	$ -	$ -	$ 39,724,465
Other local taxes	7,003,529	-	-	-	-	-	7,003,529
Permits, privilege fees, and regulatory licenses	307,295	-	-	-	-	-	307,295
Fines and forfeitures	32,820	-	-	-	-	-	32,820
Revenue from the use of money and property	120,923	-	-	25	-	21	120,969
Charges for services	2,001,175	-	-	-	-	6,449	2,007,624
Miscellaneous	223,249	-	-	-	-	-	223,249
Recovered costs	1,596,671	-	-	-	-	-	1,596,671
Intergovernmental revenues:							
Commonwealth	6,513,190	913,961	-	151,597	-	4,716	7,583,464
Federal	21,426	1,220,723	-	-	-	-	1,242,149
Total revenues	57,544,743	2,134,684	-	151,622	-	11,186	59,842,235
EXPENDITURES							
Current:							
General government	2,774,183	-	-	-	-	-	2,774,183
Judicial administration	1,581,072	-	-	-	-	9,903	1,590,975
Public safety	10,863,263	-	-	-	-	12,345	10,875,608
Public works	835,473	-	-	-	-	-	835,473
Health and welfare	2,869,123	3,020,041	-	-	-	-	5,889,164
Education	19,815,942	-	-	270,904	-	-	20,086,846
Parks, recreation, and culturual	1,244,476	-	-	-	-	-	1,244,476
Community development	915,959	-	-	-	-	-	915,959
Nondepartmental	149,450	-	-	-	-	-	149,450
Capital projects	-	-	-	2,181,597	-	-	2,181,597
Debt service (Note 9):							
Principal retirement	-	-	5,422,510	-	-	-	5,422,510
Interest and other fiscal charges	-	-	3,754,016	-	-	-	3,754,016
Total expenditures	41,048,941	3,020,041	9,176,526	2,452,501	-	22,248	55,720,257
Excess (deficiency) of revenues over expenditures	16,495,802	(885,357)	(9,176,526)	(2,300,879)	-	(11,062)	4,121,978
OTHER FINANCING SOURCES (USES)							
Transfers in (Note 6)	14,820	916,784	9,190,578	1,636,995	-	-	11,759,177
Transfers out (Note 6)	(14,225,631)	-	-	-	-	(1,492)	(14,227,123)
Issuance of capital lease (Note 9)	-	-	-	494,870	-	-	494,870
Total other financing sources (uses)	(14,210,811)	916,784	9,190,578	2,131,865	-	(1,492)	(1,973,076)
Net change in fund balance	2,284,991	31,427	14,052	(169,014)	-	(12,554)	2,148,902
FUND BALANCES AT JULY 1	19,993,302	122,154	-	2,463,998	16,645	65,290	22,661,389
FUND BALANCES AT JUNE 30	$ 22,278,293	$ 153,581	$ 14,052	$ 2,294,984	$ 16,645	$ 52,736	$ 24,810,291

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

EXHIBIT 6

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, 2015

Net change in fund balances per Exhibit 5 – total government funds	$	2,148,902
Amounts reported for governmental activities in the Statement of Actvities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay		1,901,035
Depreciation expense		(2,066,801)
Allocation of debt financed school assets based on current year repayments and drawdowns of bond proceeds		(3,827,259)
Loss on sale of capital assets		(50,388)
Transfer of capital assets from governmental activities to an enterprise fund		(11,633)
		(4,055,046)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		(443,856)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.		
Principal repayments:		
General obligation debt		4,199,903
Lease revenue bonds		855,000
Capital lease		367,607
Proceeds from capital lease		(494,870)
Amortization of bond discount		(41,462)
Amortization of deferred amount on refunding		(24,350)
Amortization of bond premium		270,464
		5,132,292
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		(108,250)
Other post-employment benefits		(107,158)
Accrued interest		105,021
		(110,387)
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.		51,906
Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.		
Employer pension contributions		1,005,704
Pension expense		(610,233)
		395,471
Changes in net position of governmental activities	$	3,119,282

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

EXHIBIT 7

COUNTY OF ORANGE, VIRGINIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2015

	Business-Type Activities Enterprise Funds			Governmental Activities
	Airport	Landfill	Total	Insurance Internal Service Fund
ASSETS				
Current assets:				
Cash and cash equivalents (Note 3)	$ 739,860	$ 2,319,194	$ 3,059,054	$ 1,831,818
Receivables, net (Note 4)	2,575	35,420	37,995	-
Due from other governments (Note 5)	132,448	-	132,448	-
Inventories	24,246	-	24,246	-
Total current assets	899,129	2,354,614	3,253,743	1,831,818
Noncurrent assets (Note 7):				
Capital assets:				
Nondepreciable	2,369,263	65,656	2,434,919	-
Depreciable, net	9,002,300	2,910,656	11,912,956	-
Total noncurrent assets	11,371,563	2,976,312	14,347,875	-
Total assets	12,270,692	5,330,926	17,601,618	1,831,818
DEFERRED OUTFLOWS OF RESOURCES				
Pension contributions subsequent to the measurement date (Note 9)	6,929	36,655	43,584	-
Total deferred outflows of resources	6,929	36,655	43,584	-
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	53,779	266,500	320,279	522,455
Long-term liabilities due within one year (Notes 8 and 12)	1,576	61,565	63,141	-
Total current liabilities	55,355	328,065	383,420	522,455
Noncurrent liabilities:				
Net pension liability (Note 9)	22,890	110,640	133,530	-
Long-term liabilities due in more than one year (Notes 8 and 12)	9,948	2,231,423	2,241,371	-
Total noncurrent liabilities	32,838	2,342,063	2,374,901	-
Total liabilities	88,193	2,670,128	2,758,321	522,455
DEFERRED INFLOWS OF RESOURCES				
Net difference between projected and actual investment earnings on pension plan investments (Note 9)	10,838	52,385	63,223	-
Total deferred inflows of resources	10,838	52,385	63,223	-
NET POSITION				
Net investment in capital assets	11,371,563	2,976,312	14,347,875	-
Unrestricted (deficit)	807,027	(331,244)	475,783	1,309,363
Total net position	$ 12,178,590	$ 2,645,068	$ 14,823,658	$ 1,309,363

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

EXHIBIT 8

COUNTY OF ORANGE, VIRGINIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2015

	Business-Type Activities Enterprise Funds			Governmental Activities
	Airport	Landfill	Total	Insurance Internal Service Fund
OPERATING REVENUES				
Charges for services	$ 379,093	$ 286,516	$ 665,609	$ 7,326,354
Miscellaneous	-	57,553	57,553	-
Total operating revenues	379,093	344,069	723,162	7,326,354
OPERATING EXPENSES				
Personnel services	95,315	627,762	723,077	-
Fringe benefits	22,260	164,976	187,236	-
Contractual services	40,806	864,000	904,806	-
Other charges	284,588	769,683	1,054,271	-
Insurance claims and other expenses	-	-	-	7,274,448
Depreciation	429,731	400,588	830,319	-
Total operating expenses	872,700	2,827,009	3,699,709	7,274,448
Operating income (loss)	(493,607)	(2,482,940)	(2,976,547)	51,906
NON-OPERATING REVENUES				
Commonwealth grants	-	8,978	8,978	-
Miscellaneous	5,897	2,120	8,017	-
Total non-operating revenues	5,897	11,098	16,995	-
Income (loss) before contributions and transfers	(487,710)	(2,471,842)	(2,959,552)	51,906
CAPITAL CONTRIBUTIONS	298,068	11,633	309,701	-
TRANSFERS IN (Note 6)	152,566	2,315,380	2,467,946	-
Change in net position	(37,076)	(144,829)	(181,905)	51,906
NET POSITION AT JULY 1, as restated (Note 16)	12,215,666	2,789,897	15,005,563	1,257,457
NET POSITION AT JUNE 30	$ 12,178,590	$ 2,645,068	$ 14,823,658	$ 1,309,363

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

EXHIBIT 9

COUNTY OF ORANGE, VIRGINIA

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
Year Ended June 30, 2015

	Business-Type Activities Enterprise Funds			Governmental Activities
	Airport	Landfill	Total	Insurance Internal Service Fund
OPERATING ACTIVITIES				
Receipts from customers and users	$ 376,518	$ 288,454	$ 664,972	$ 7,326,354
Payments to suppliers	(323,713)	(2,152,434)	(2,476,147)	(7,477,208)
Payments to employees	(119,549)	(796,455)	(916,004)	-
Other receipts	-	57,553	57,553	-
Net cash used in operating activities	(66,744)	(2,602,882)	(2,669,626)	(150,854)
NONCAPITAL FINANCING ACTIVITIES				
Noncapital grant	5,897	11,098	16,995	-
Transfers from other funds	152,566	2,315,380	2,467,946	-
Net cash provided by noncapital financing activities	158,463	2,326,478	2,484,941	-
CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital contributions and construction grants	358,994	-	358,994	-
Purchases of capital assets	(253,660)	(14,180)	(267,840)	-
Net cash provided by (used in) capital and related financing activities	105,334	(14,180)	91,154	-
Net increase (decrease) in cash and cash equivalents	197,053	(290,584)	(93,531)	(150,854)
CASH AND CASH EQUIVALENTS				
Beginning at July 1	542,807	2,609,778	3,152,585	1,982,672
Ending at June 30	$ 739,860	$ 2,319,194	$ 3,059,054	$ 1,831,818
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED IN OPERATING ACTIVITIES:				
Operating income (loss)	$ (493,607)	$ (2,482,940)	$ (2,976,547)	$ 51,906
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	429,731	400,588	830,319	-
Pension expense net of employer contributions	(2,750)	(16,453)	(19,203)	-
Change in assets and liabilities:				
(Increase) decrease in:				
Receivables, net	(2,575)	1,938	(637)	-
Inventories	20,240	-	20,240	-
(Decrease) increase in:				
Accounts payable and accrued liabilities	(18,559)	(322,751)	(341,310)	(202,760)
Landfill closure and postclosure care	-	(196,000)	(196,000)	-
Compensated absences and OPEB	776	12,736	13,512	-
Net cash used in operating activities	$ (66,744)	$ (2,602,882)	$ (2,669,626)	$ (150,854)
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital asset purchases included in accounts payable at year end	$ 21,105	$ 49,706	$ 70,811	$ -
Capital assets transferred from other funds	$ -	$ 11,633	$ 11,633	$ -

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

EXHIBIT 10

COUNTY OF ORANGE, VIRGINIA

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2015

	Agency Funds
ASSETS	
Cash and cash equivalents (Note 3)	$ 608,238
Total assets	$ 608,238
LIABILITIES	
Accounts payable	$ 39,000
Amounts held for others	569,238
Total liabilities	$ 608,238

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

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.

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.

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.

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.

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.

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:

Governmental Activities		
Year Ended	Note Receivable	
	Principal	Interest
2016	$ 610,000	$ 806,119
2017	645,000	774,744
2018	675,000	744,275
2019	705,000	714,950
2020	730,000	684,000
2021-2025	4,205,000	2,862,750
2026-2030	5,275,000	1,776,497
2031-2035	5,150,000	475,875
	$ 17,995,000	$ 8,839,210

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.

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.

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 Board of Supervisors resolution; to be reported as committed, amounts cannot be used for any other purposes unless the same highest level of action is taken to remove or change the constraint.
- **Assigned** – Amounts are constrained by intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by the County Administrator or designated department head based on governing body direction through adoption or amendment of the budget or through ordinance or resolution.
- **Unassigned** – Amounts that are available for any purpose; positive amounts are reported only in the general fund.

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.

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 $9,556 in the general fund and $352,622 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 statements which present financial position report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has two items that qualify for reporting in this category. The first is the deferred charge on refunding reported on the government-wide 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. The second item consists of contributions subsequent to the measurement date for pensions; this will be applied to the net pension liability in the next fiscal year.

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 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. The County has an additional item which is the net difference between projected and actual earnings on pension plan investments. This difference will be recognized in pension expense over a closed five year period. The final item presented as a deferred inflow results from participation in the Virginia Retirement System's teacher cost sharing pool, where changes in proportion and differences between employer contributions and the proportionate share of employer contributions are reported as a deferred inflow or outflow, as appropriate.

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.

Pensions

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

Note 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. The Adult Education Fund of the discretely presented component unit – School Board exceeded its budget for 2015.

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.

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), the Virginia Investment Pool (VML/VACO Pool) 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 and VACO/VML is the same as the value of the pool shares. As these pools are not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP and VACO/VML 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	$ 20,386,134
Cash on hand	7,129
	20,393,263
Investments:	
LGIP	9,048,304
VML/VACO Investment Pool	5,032,901
Total deposits and investments	$ 34,474,468

Total deposits and investment is composed as follows:

Cash and cash equivalents – Primary Government	$ 29,361,703
Cash and cash equivalents – Component Units	5,112,765
Total deposits and investments	$ 34,474,468

Note 3. Deposits and Investments (Continued)

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:

Investment Type	Fair Value	Less Than 1 Year	1-5 Years
LGIP	$ 9,048,304	$ 9,048,304	$ -
VML/VACO Investment Pool	5,032,901	5,032,901	-
	$ 14,081,205	$ 14,081,205	$ -

Note 4. Receivables

Receivables consist of the following:

	Governmental Activities	Business-Type Activities	Total Primary Government	Component Unit – School Board
Receivables				
Taxes	$ 2,678,244	$ -	$ 2,678,244	$ -
Less: allowance for uncollectible accounts	(308,720)	-	(308,720)	-
Net taxes receivable	2,369,524	-	2,369,524	-
Accounts receivable	1,477,258	37,995	1,515,253	219,457
Less: allowance for uncollectible accounts	(210,293)	-	(210,293)	-
Net accounts receivable	1,266,965	37,995	1,304,960	219,457
Net total receivables	$ 3,636,489	$ 37,995	$ 3,674,484	$ 219,457

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.

During 2015, 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 5. Due From Other Governmental Units

Amounts due from other governments consist of the following:

	Primary Government	Component Unit – School Board
Commonwealth of Virginia:		
State sales taxes	$ -	$ 956,785
Local taxes	35,353	-
Communication sales and use taxes	234,331	-
Public assistance and welfare administration	53,751	-
Comprehensive youth service	227,303	-
Aviation grant	71,479	-
Sheriff	108,234	-
Commonwealth's Attorney	18,899	-
Clerk of Circuit Court	22,194	-
Treasurer	11,525	-
Commissioner of Revenue	8,356	-
Other	89,548	-
Federal Government:		
Education grants	-	847,605
Aviation grant	60,698	-
Public assistance	86,207	-
Towns of Orange and Gordonsville	514,482	-
	$ 1,542,360	$ 1,804,390

Note 6. Interfund Transfers

Interfund transfers consist of the following:

	Transfers In	Transfers Out
Governmental Funds:		
General Fund	$ 14,820	$ 14,225,631
Virginia Public Assistance Fund	916,784	-
Debt Service Fund	9,190,578	-
County Capital Projects Fund	1,636,995	-
Other Governmental Funds	-	1,492
Proprietary Funds:		
Airport Fund	152,566	-
Landfill Fund	2,315,380	-
	$ 14,227,123	$ 14,227,123
Component Unit – School Board:		
School Operating Fund	$ -	$ 487,247
School Nutrition Fund	-	-
School Textbook Adoptions Fund	478,085	-
School Adult Education Fund	9,162	-
	$ 487,247	$ 487,247

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 16)	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not depreciated:				
Land	$ 1,052,417	$ -	$ -	$ 1,052,417
Construction in progress	484,731	172,961	(40,369)	617,323
Total capital assets not depreciated	1,537,148	172,961	(40,369)	1,669,740
Capital assets depreciated:				
Buildings and improvements	19,471,141	70,706	-	19,541,847
School buildings and improvements	53,983,059	-	(4,354,284)	49,628,775
Furniture, equipment, and vehicles	8,328,677	1,674,318	(269,122)	9,733,873
Total capital assets depreciated	81,782,877	1,745,024	(4,623,406)	78,904,495
Less accumulated depreciation:				
Buildings and improvements	(4,512,052)	(453,185)	-	(4,965,237)
School buildings and improvements	(5,888,568)	(992,576)	527,025	(6,354,119)
Furniture, equipment, and vehicles	(6,332,615)	(621,040)	230,520	(6,723,135)
Total accumulated depreciation	(16,733,235)	(2,066,801)	757,545	(18,042,491)
Capital assets depreciated, net	65,049,642	(321,777)	(3,865,861)	60,862,004
Net capital assets	$ 66,586,790	$ (148,816)	$ (3,906,230)	$ 62,531,744

Note 7. Capital Assets (Continued)

	Beginning Balance, as restated	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital assets not depreciated:				
Land	$ 1,829,903	$ -	$ -	$ 1,829,903
Construction in progress	330,252	274,764	-	605,016
Total capital assets not depreciated	2,160,155	274,764	-	2,434,919
Capital assets depreciated:				
Buildings and improvements	11,616,252	20,687	-	11,636,939
Landfill development costs	3,349,705	-	-	3,349,705
Furniture, equipment, and vehicles	1,124,878	84,617	-	1,209,495
Total capital assets depreciated	16,090,835	105,304	-	16,196,139
Less accumulated depreciation for:				
Buildings and improvements	(2,161,321)	(388,860)	-	(2,550,181)
Landfill development costs	(394,036)	(290,307)	-	(684,343)
Furniture, equipment, and vehicles	(867,723)	(180,936)	-	(1,048,659)
Total accumulated depreciation	(3,423,080)	(860,103)	-	(4,283,183)
Capital assets depreciated, net	12,667,755	(754,799)	-	11,912,956
Net capital assets	$ 14,827,910	$ (480,035)	$ -	$ 14,347,875

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

	Governmental Activities	Business-Type Activities	Total Primary Government
General government administration	$ 257,994	$ -	$ 257,994
Judicial administration	70,840	-	70,840
Public safety	484,246	-	484,246
Public works	37,200	-	37,200
Health and welfare	127,750	-	127,750
Education	465,551	-	465,551
Parks, recreation, and cultural	55,411	-	55,411
Community development	40,784	-	40,784
Airport	-	429,731	429,731
Landfill	-	400,588	400,588
Total depreciation expense – primary government	$ 1,539,776	$ 830,319	$ 2,370,095

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 16)	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not depreciated:				
Land	$ 1,855,343	$ -	$ -	$ 1,855,343
Construction in progress	6,444,311	856,022	(652,455)	6,647,878
Total capital assets not depreciated	8,299,654	856,022	(652,455)	8,503,221
Capital assets depreciated:				
Buildings and improvements	136,268,268	616,286	-	136,884,554
Allocated to County	(53,983,059)	4,354,284	-	(49,628,775)
Furniture, equipment, and vehicles	13,091,388	887,649	(121,912)	13,857,125
Total capital assets depreciated	95,376,597	5,858,219	(121,912)	101,112,904
Less accumulated depreciation:				
Buildings and improvements	(53,906,245)	(2,457,319)	-	(56,363,564)
Allocated to County	5,888,568	992,576	(527,025)	6,354,119
Furniture, equipment, and vehicles	(7,360,183)	(1,481,469)	121,551	(8,720,101)
Total accumulated depreciation	(55,377,860)	(2,946,212)	(405,474)	(58,729,546)
Capital assets depreciated, net	39,998,737	2,912,007	(527,386)	42,383,358
Net capital assets	$ 48,298,391	$ 3,768,029	$ (1,179,841)	$ 50,886,579

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

Note 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	$ 52,352,917	$ -	$ 4,199,903	$ 48,153,014	$ 4,284,363
Premium on bonds	2,121,768	-	270,464	1,851,304	252,780
	54,474,685	-	4,470,367	50,004,318	4,537,143
Lease revenue/refunding bonds	27,160,000	-	855,000	26,305,000	895,000
Discount on bonds	(493,834)	-	41,462	(452,372)	(40,174)
	26,666,166	-	896,462	25,852,628	854,826
Capital leases	1,310,884	494,870	367,607	1,438,147	453,385
Other post-employment benefits	851,241	107,158	-	958,399	-
Compensated absences	871,279	653,337	545,087	979,529	734,647
	$ 84,174,255	$ 1,255,365	$ 6,279,523	$ 79,233,021	$ 6,580,001
Business-Type Activities:					
Compensated absences	$ 49,122	$ 12,260	$ 14,644	$ 46,738	$ 7,641
Other post-employment benefits	31,878	15,896	-	47,774	-
Landfill closure/post-closure	2,406,000	263,562	459,562	2,210,000	55,500
	$ 2,487,000	$ 291,718	$ 474,206	$ 2,304,512	$ 63,141

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

Discretely Presented Component Unit – School Board:

	Beginning Balance	Increases	Decreases	Ending Balance	Due within One Year
Governmental Activities:					
Compensated absences	$ 1,669,986	$ 128,562	$ 310,649	$ 1,487,899	$ 310,649
Other post-employment benefits	2,299,746	223,853	-	2,523,599	-
Capital leases	6,851,135	-	460,121	6,391,014	503,691
	$ 10,820,867	$ 352,415	$ 770,770	$ 10,402,512	$ 814,340

Note 8. Long-Term Liabilities (Continued)

Details of long-term indebtedness are as follows:

General Obligation Bonds:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Governmental Activities
County:					
Industrial park improvements	3.87	12/07/2005	07/15/2017	$ 1,279,119	$ 375,544
School:					
VPSA bond	5.4-5.98	05/18/1995	07/15/2015	$ 530,000	25,000
VPSA bond	4.98-5.85	11/16/2000	07/15/2020	$ 2,830,000	935,000
School improvement bond	4.1-5.6	05/25/2001	07/15/2021	$ 25,000,000	11,810,000
VPSA bond	2.35-5.10	11/07/2002	07/15/2023	$ 1,615,000	825,000
School improvement bond	2.30-3.59	11/10/2005	07/15/2025	$ 13,935,316	7,902,470
VPSA bond	4.35-5.10	11/08/2007	07/15/2027	$ 5,220,000	3,380,000
VPSA bond	4.05-5.05	05/07/2009	07/15/2029	$ 30,550,000	22,900,000
					$ 48,153,014

Lease Revenue and Refunding Bonds:

Courthouse and nursing home	4.25-5.0	09/06/2007	02/01/2034	$ 31,235,000	$ 26,305,000

Capital Leases:

Pierce Fire Trucks	3.57	03/14/2008	02/01/2018	$ 1,644,968	$ 553,072
Financial Software and other equipment	1.78	09/27/2012	09/27/2017	$ 747,000	381,772
Emergency Response Software	0.00	08/28/2013	08/01/2017	$ 56,207	56,207
Equipment Lease – Ambulances	1.56	12/05/2014	12/05/2020	$ 494,870	447,096
					$ 1,438,147

Note 8. Long-Term Liabilities (Continued)

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

	Governmental Activities					
Year Ended	General Obligation Bonds		Lease Revenue and Refunding Bond		Capital Lease Obligations	
June 30	Principal	Interest	Principal	Interest	Principal	Interest
2016	$ 4,284,363	$ 2,259,014	$ 895,000	$ 1,200,681	$ 453,385	$ 32,472
2017	4,359,248	2,045,169	940,000	1,155,931	449,894	21,912
2018	4,459,467	1,827,025	985,000	1,108,931	382,348	11,053
2019	4,435,456	1,601,768	1,030,000	1,067,069	101,284	1,986
2020	4,541,590	1,381,268	1,070,000	1,023,294	51,236	400
2021-2025	16,920,090	3,914,064	6,150,000	4,328,244	-	-
2026-2030	9,152,800	960,416	7,710,000	2,770,906	-	-
2031-2035	-	-	7,525,000	864,900	-	-
	$ 48,153,014	$ 13,988,724	$ 26,305,000	$ 13,519,956	$ 1,438,147	$ 67,823

The assets acquired through capital leases are as follows:

	Governmental Activities
Vehicles – Pierce fire trucks	$ 1,644,939
Equipment – Financial software and other equipment	645,563
Emergency communications system	81,975
Ambulances	737,805
	3,110,282
Less: accumulated depreciation	(1,747,788)
	$ 1,362,494

Note 8. Long-Term Liabilities (Continued)

Capital Leases – School Board:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Governmental Activities
Phone system	3.0	02/01/2012	08/01/2016	$ 1,073,075	$ 441,550
Energy performance contract	2.59	03/27/2013	09/27/2028	$ 6,198,242	5,949,464
					$ 6,391,014

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

Year Ended June 30	Capital Lease Obligations	
	Principal	Interest
2016	$ 503,691	$ 165,258
2017	530,817	151,305
2018	328,493	136,620
2019	351,123	127,967
2020	374,764	118,720
2021-2025	2,266,673	432,258
2026-2030	2,035,453	108,427
	$ 6,391,014	$ 1,240,555

The assets acquired through capital leases are as follows:

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

Note 9. Defined Benefit Pension Plan

Plan Description

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

Note 9. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

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

RETIREMENT PLAN PROVISIONS		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.	**About Plan 2** Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.	**About the Hybrid Retirement Plan** The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members") • The defined benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

Note 9. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Eligible Members	**Eligible Members**	**Eligible Members**
Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013. **Hybrid Opt-In Election** VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013. **Hybrid Opt-In Election** Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 through April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. ***Non-Eligible Members** Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.

Note 9. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Retirement Contributions	Retirement Contributions	Retirement Contributions
Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5.00% member contribution but 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.	Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5.00% member contribution but all employees will be paying the full 5.00% by July 1, 2016.	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.

Note 9. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Creditable Service	**Creditable Service**	**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.	Same as Plan 1.	**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 Contributions Component:** Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

Note 9. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Vesting	**Vesting**	**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.	Same as Plan 1.	**Defined Benefit Component:** Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. **Defined Contributions 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.

Note 9. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

		Vesting (Continued) **Defined Contributions Component: (Continued)** • 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 The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier, and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	**Calculating the Benefit** See definition under Plan 1.	**Calculating the Benefit** **Defined Benefit Component:** See definition under Plan 1. **Defined Contribution Component:** The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

Note 9. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier **VRS:** The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.	**Service Retirement Multiplier** **VRS:** Same as Plan 1 for service earned, purchased, or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased, or granted on or after January 1, 2013.	**Service Retirement Multiplier** **Defined Benefit Component:** **VRS:** The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.
Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.	**Sheriffs and regional jail superintendents:** Same as Plan 1.	**Sheriffs and regional jail superintendents:** Not applicable.
Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.	**Political subdivision hazardous duty employees:** Same as Plan 1.	**Political subdivision hazardous duty employees:** Not applicable. **Defined Contribution Component:** Not applicable.

Note 9. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

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

Note 9. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Earliest Reduced Retirement Eligibility **VRS:** Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service. **Political subdivisions hazardous duty employees:** 50 with at least five years of creditable service.	**Earliest Reduced Retirement Eligibility** **VRS:** Age 60 with at least five years (60 months) of creditable service. **Political subdivisions hazardous duty employees:** Same as Plan 1.	**Earliest Unreduced Retirement Eligibility** **Defined Benefit Component:** **VRS:** Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. **Political subdivisions hazardous duty employees:** Not applicable. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
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%. **Eligibility:** For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.	**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%. **Eligibility:** Same as Plan 1.	**Cost-of-Living Adjustment (COLA) in Retirement** **Defined Benefit Component:** Same as Plan 2. **Defined Contribution Component:** Not applicable. **Eligibility:** Same as Plan 1 and Plan 2.

Note 9. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Cost-of-Living Adjustment (COLA) in Retirement (Continued)	**Cost-of-Living Adjustment (COLA) in Retirement (Continued)**	**Cost-of-Living Adjustment (COLA) in Retirement (Continued)**
Eligibility: (Continued) 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.		
Exceptions to COLA Effective Dates: 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 retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • 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.	**Exceptions to COLA Effective Dates:** Same as Plan 1.	**Exceptions to COLA Effective Dates:** Same as Plan 1 and Plan 2.

Note 9. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Cost-of-Living Adjustment (COLA) in Retirement (Continued) **Exceptions to COLA Effective Dates:** (Continued) • 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.	**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.	**Disability Coverage** Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.

Note 9. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Purchase of Prior Service	**Purchase of Prior Service**	**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.	Same as Plan 1.	**Defined Benefit Component:** Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4.00% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. **Defined Contribution Component:** Not applicable.

Note 9. Defined Benefit Pension Plan (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2013 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	County	School Board (Non-professional employees)
Inactive members or their beneficiaries currently receiving benefits	101	71
Inactive members:		
Vested inactive members	43	24
Non-vested inactive members	69	74
Inactive members active elsewhere in VRS	88	30
Total inactive members	200	128
Active members	188	164
Total covered employees	489	363

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been 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.

The political subdivision's contractually required contribution rate for the year ended June 30, 2015 was 11.35% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were $1,049,288 and $1,106,261 for the years ended June 30, 2015 and June 30, 2014, respectively. Contributions to the pension plan from the School Board (Non-professional employees) were $205,264 and $234,379 for the years ended June 30, 2015 and June 30, 2014, respectively.

Note 9. Defined Benefit Pension Plan (Continued)

Net Pension Liability (Asset)

The political subdivision's net pension liability (asset) was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Inflation	2.50%
Salary increases, including inflation	3.50 – 5.35%
Investment rate of return	7.00%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.00%. However, since the difference was minimal, and a more conservative 7.00% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.00% to simplify preparation of pension liabilities.

Note 9. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions – General Employees (Continued)

Mortality rates: 14% of deaths are assumed to be service related.

Largest 10 – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

All Others (Non 10 Largest) – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Note 9. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions – General Employees (Continued)

Largest 10 – Non-LEOS:

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

All Others (Non 10 Largest) – Non-LEOS:

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

Actuarial Assumptions – Public Safety Employees

The total pension liability for Public Safety employees in the Political Subdivision Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Inflation	2.50%
Salary increases, including inflation	3.50 – 4.75%
Investment rate of return	7.00%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.00%. However, since the difference was minimal, and a more conservative 7.00% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.00% to simplify preparation of pension liabilities.

Mortality rates: 60% of deaths are assumed to be service related.

Note 9. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions – Public Safety Employees (Continued)

Largest 10 – LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

All Others (Non 10 Largest) – LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 –LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – LEOS:

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

Note 9. Defined Benefit Pension Plan (Continued)

Long-Term Expected Rate of Return

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

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

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

Note 9. Defined Benefit Pension Plan (Continued)

Discount Rate

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

Changes in Net Pension Liability-County

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2013	$ 28,760,241	$ 23,167,340	$ 5,592,901
Changes for the year:			
Service cost	1,148,245	-	1,148,245
Interest	1,972,952	-	1,972,952
Differences between expected and actual experience	-	-	-
Contributions – employer	-	1,106,261	(1,106,261)
Contributions – employee	-	458,769	(458,769)
Net investment income	-	3,692,589	(3,692,589)
Benefit payments, including refunds of employee contributions	(1,150,418)	(1,150,418)	-
Administrative expenses	-	(19,343)	19,343
Other changes	-	195	(195)
Net changes	1,970,779	4,088,053	(2,117,274)
Balances at June 30, 2014	$ 30,731,020	$ 27,255,393	$ 3,475,627

Note 9. Defined Benefit Pension Plan (Continued)

Changes in Net Pension Asset-School Board (Non-professional employees)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
Balances at June 30, 2013	$ 7,934,394	$ 7,643,447	$ 290,947
Changes for the year:			
Service cost	321,928	-	321,928
Interest	540,454	-	540,454
Differences between expected and actual experience	-	-	-
Contributions – employer	-	234,379	(234,379)
Contributions – employee	-	143,849	(143,849)
Net investment income	-	1,204,254	(1,204,254)
Benefit payments, including refunds of employee contributions	(427,241)	(427,241)	-
Administrative expenses	-	(6,473)	6,473
Other changes	-	63	(63)
Net changes	435,141	1,148,831	(713,690)
Balances at June 30, 2014	$ 8,369,535	$ 8,792,278	$ (422,743)

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

The following presents the net pension liability (asset) of the County and School Board (Non-professional employees) using the discount rate of 7.00%, as well as what the political subdivision's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
County net pension liability	$ 7,809,282	$ 3,475,627	$ (83,452)

Note 9. Defined Benefit Pension Plan (Continued)

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

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
School Board (Non-professional employees) net pension (asset) liability	$ 566,014	$ (422,743)	$ (1,250,647)

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

For the year ended June 30, 2015, the County recognized pension expense of $634,614. At June 30, 2015, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	1,645,627
Employer contributions subsequent to the measurement date	1,049,288	-
Total	$ 1,049,288	$ 1,645,627

Note 9. Defined Benefit Pension Plan (Continued)

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

For the year ended June 30, 2015, School Board (Non-professional employees) recognized pension expense of $57,611. At June 30, 2015, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	536,922
Employer contributions subsequent to the measurement date	205,264	-
Total	$ 205,264	$ 536,922

The County reported as deferred outflows of resources related to pensions resulting from the County's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Reduction to Pension Expense
2016	$ (411,407)
2017	(411,407)
2018	(411,407)
2019	(411,406)
Thereafter	-

Note 9. Defined Benefit Pension Plan (Continued)

The School Board (Non-professional employees) reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Asset in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Reduction to Pension Expense
2016	$ (134,231)
2017	(134,231)
2018	(134,231)
2019	(134,229)
Thereafter	-

Note 10. Defined Benefit Pension Plan – Teacher Cost Sharing Pool

General Information about the Teacher Cost Sharing Pool

Plan Description

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

Note 10. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)

General Information about the Teacher Cost Sharing Pool (Continued)

Plan Description (Continued)

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

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

Note 10. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)

General Information about the Teacher Cost Sharing Pool (Continued)

Plan Description (Continued)

		About the Hybrid Retirement Plan (Continued) • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013. **Hybrid Opt-In Election** VRS Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	**Eligible Members** Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013. **Hybrid Opt-In Election** Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	**Eligible Members** Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • School division employees. • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 through April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.

Note 10. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)

General Information about the Teacher Cost Sharing Pool (Continued)

Plan Description (Continued)

Retirement Contributions	Retirement Contributions	Retirement Contributions
Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions elected to phase in the required 5.00% member contribution but 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.	Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions elected to phase in the required 5.00% member contribution but all employees will be paying the full 5.00% by July 1, 2016.	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.

Note 10. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)

General Information about the Teacher Cost Sharing Pool (Continued)

Plan Description (Continued)

Creditable Service	**Creditable Service**	**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.	Same as Plan 1.	**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 Contributions Component:** Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

Note 10. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)

General Information about the Teacher Cost Sharing Pool (Continued)

Plan Description (Continued)

Vesting	**Vesting**	**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.	Same as Plan 1.	**Defined Benefit Component:** Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. **Defined Contributions 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.

Note 10. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)

General Information about the Teacher Cost Sharing Pool (Continued)

Plan Description (Continued)

		Vesting (Continued) **Defined Contributions Component: (Continued)** • 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 The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier, and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	**Calculating the Benefit** See definition under Plan 1.	**Calculating the Benefit** **Defined Benefit Component:** See definition under Plan 1. **Defined Contribution Component:** The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

Note 10. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)

General Information about the Teacher Cost Sharing Pool (Continued)

Plan Description (Continued)

Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for members is 1.70%.	**Service Retirement Multiplier** Same as Plan 1 for service earned, purchased, or granted prior to January 1, 2013. The retirement multiplier is 1.65% for creditable service earned, purchased, or granted on or after January 1, 2013.	**Service Retirement Multiplier** **Defined Benefit Component:** The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. **Defined Contribution Component:** Not applicable.
Normal Retirement Age Age 65.	**Normal Retirement Age** Normal Social Security retirement age.	**Normal Retirement Age** **Defined Benefit Component:** Same as Plan 2. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Note 10. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)

General Information about the Teacher Cost Sharing Pool (Continued)

Plan Description (Continued)

Earliest Unreduced Retirement Eligibility Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.	**Earliest Unreduced Retirement Eligibility** Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.	**Earliest Unreduced Retirement Eligibility** **Defined Benefit Component:** Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility **VRS:** Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.	**Earliest Reduced Retirement Eligibility** **VRS:** Age 60 with at least five years (60 months) of creditable service.	**Earliest Unreduced Retirement Eligibility** **Defined Benefit Component:** **VRS:** Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Note 10. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)

General Information about the Teacher Cost Sharing Pool (Continued)

Plan Description (Continued)

Cost-of-Living Adjustment (COLA) in Retirement	**Cost-of-Living Adjustment (COLA) in Retirement**	**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%.	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%.	**Defined Benefit Component:** Same as Plan 2. **Defined Contribution Component:** Not applicable.
Eligibility: For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.	**Eligibility:** Same as Plan 1.	**Eligibility:** Same as Plan 1 and Plan 2.
Exceptions to COLA Effective Dates: The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:	**Exceptions to COLA Effective Dates:** Same as Plan 1.	**Exceptions to COLA Effective Dates:** Same as Plan 1 and Plan 2.

Note 10. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)

General Information about the Teacher Cost Sharing Pool (Continued)

Plan Description (Continued)

Cost-of-Living Adjustment (COLA) in Retirement (Continue) **Exceptions to COLA Effective Dates: (Continued)** • 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 Not applicable.	**Disability Coverage** Not applicable.	**Disability Coverage** Employees of political subdivisions and school divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members.

Note 10. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)

General Information about the Teacher Cost Sharing Pool (Continued)

Plan Description (Continued)

		Disability Coverage (Continued) Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** **Defined Benefit Component:** Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4.00% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. **Defined Contribution Component:** Not applicable.

Note 10. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)

General Information about the Teacher Cost Sharing Pool (Continued)

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been 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 requiring that 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. Each school division's contractually required contribution rate for the year ended June 30, 2015 was 14.50% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. The actuarial rate for the Teacher Retirement Plan was 18.20%. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the *Code of Virginia*, as amended, the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2015. Contributions to the pension plan from the school division were $3,723,628 and $2,850,000 for the years ended June 30, 2015 and June 30, 2014, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the school division reported a liability of $40,386,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2014 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2014 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2014, the school division's proportion was 0.33% as compared to 0.34% at June 30, 2013.

For the year ended June 30, 2015, the school division recognized pension expense of $3,092,000. Since there was a change in proportionate share between June 30, 2013 and June 30, 2014, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

Note 10. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)

General Information about the Teacher Cost Sharing Pool (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

At June 30, 2015, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	5,994,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	467,000
Employer contributions subsequent to the measurement date	3,723,628	-
Total	$ 3,723,628	$ 6,461,000

Note 10. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)

General Information about the Teacher Cost Sharing Pool (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

$3,723,628 is reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Reduction to Pension Expense
2016	$ (1,601,000)
2017	(1,601,000)
2018	(1,601,000)
2019	(1,601,000)
2020	(57,000)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Inflation	2.50%
Salary increases, including inflation	3.50 – 5.95%
Investment rate of return	7.00%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.00%. However, since the difference was minimal, and a more conservative 7.00% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.00% to simplify preparation of pension liabilities.

Note 10. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)

General Information about the Teacher Cost Sharing Pool (Continued)

Actuarial Assumptions (Continued)

Mortality rates:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 3 years and females were set back 5 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set back years and females were set back 3 years.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 1 year and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Note 10. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)

General Information about the Teacher Cost Sharing Pool (Continued)

Long-Term Expected Rate of Return

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

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

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

Note 10. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)

General Information about the Teacher Cost Sharing Pool (Continued)

Discount Rate

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

Sensitivity of the School Division's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
School division's proportionate share of the VRS teacher employee retirement plan net pension liability	$ 59,303,000	$ 40,386,000	$ 24,811,000

Note 10. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)

General Information about the Teacher Cost Sharing Pool (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2014 Comprehensive Annual Financial Report (CAFR). A copy of the 2014 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2014-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 11. 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.

Note 11. Other Post-Employment Benefits (Continued)

County (Continued)

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	$ 141,600
Interest on net OPEB obligation	30,909
Adjustment to annual required contribution	(32,655)
Annual OPEB cost (expense)	139,854
Contribution by employer	(16,800)
Increase in net OPEB obligation	123,054
Net OPEB obligation - beginning of year	883,119
Net OPEB obligation - end of year	$ 1,006,173

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	$ 139,854	12%	$ 1,006,173
June 30, 2014	$ 150,436	20%	$ 883,119
June 30, 2013	$ 141,383	17%	$ 762,983

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2014 is as follows:

Actuarial accrued liability (AAL)	$ 1,093,000
Actuarial value of plan assets	$ -
Unfunded actuarial accrued liability	$ 1,093,000
Funded ratio (actuarial value of plan assets (AAL)	- %
Covered payroll (active plan members)	$ 9,300,200
UAAL as a percentage of covered payroll	11.75 %

Note 11. Other Post-Employment Benefits (Continued)

County (Continued)

Actuarial Methods and Assumptions

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

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

Cost Method:

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

Interest Assumptions:

The actuarial assumptions included a 3.50 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 7.0 percent initially, graded to 4.50 percent over 75 years. A payroll growth rate of 3.00 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, 2014, was thirty years.

Note 11. Other Post-Employment Benefits (Continued)

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.

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	$ 362,100
Interest on net OPEB obligation	80,491
Adjustment to annual required contribution	(85,038)
Annual OPEB cost (expense)	357,553
Contribution by employer	(133,700)
Increase in net OPEB obligation	223,853
Net OPEB obligation - beginning of year	2,299,746
Net OPEB obligation - end of year	$ 2,523,599

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	$ 357,553	37%	$ 2,523,599
June 30, 2014	$ 361,537	45%	$ 2,299,746
June 30, 2013	$ 344,109	39%	$ 2,101,509

Note 11. Other Post-Employment Benefits (Continued)

School Board (Continued)

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2014 is as follows:

Actuarial accrued liability (AAL)	$	3,520,600
Actuarial value of plan assets	$	-
Unfunded actuarial accrued liability	$	3,520,600
Funded ratio (actuarial value of plan assets)		- %
Covered payroll (active plan members)	$	26,881,100
UAAL as a percentage of covered payroll		13.10%

Note 12. 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 $1,665,000. Actual costs may be higher due to inflation, changes in technology, changes in regulations or other unforeseen circumstances. The County intends to fund these costs from funds accumulated for this purpose in the Landfill Fund as well as transfers from the General Fund.

Permit 566 – Open Landfill

The County owns and operates a landfill site from which it collects tipping fees based upon the source of the waste. The landfill began accepting waste in January 2013. State and federal laws will require the County to place a final cover on this site when it stops accepting waste and to perform maintenance and monitoring functions for 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 $545,000 reported as landfill closure and postclosure liability as of June 30 represents the cumulative amount reported to date based on estimated use of approximately 26% of the estimated capacity of Cell #1, as well as anticipated future cells for closure costs, and use of approximately 3% of the estimated capacity of the entire landfill site for postclosure costs. The remaining estimated cost of closure and post closure care of $4,672,420 will be recognized as remaining capacity is filled. Actual future costs may be higher due to inflation, changes in technology, changes in regulations, or other unforeseen circumstances.

Note 12. 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 13. 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 $862,464 at year end.

During 2015, 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.

Note 14. 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 are partially self-insured for health and dental insurance coverage for their respective employees, and account for the uninsured risks of loss within the Insurance Internal Service Fund. From the Insurance Internal Service Fund, the County pays up to the annual stop loss limit of $150,000 per person and purchase commercial insurance for claims in excess of such limits. The County makes payments to a claims service provider based on estimates of the amounts needed to pay prior-year and current-year claims in addition to the premiums for the stop loss coverage. Excess amounts accumulated are reserved for the possibility of future catastrophic losses.

Changes in the claims liability amount is shown below.

Trend Information

Fiscal Year Ending	Beginning Liability	Current Year Claims	Claim Payments	Ending Liability
June 30, 2015	$ 492,184	$ 7,237,144	$ 7,275,312	$ 454,016
June 30, 2014	$ -	$ 3,639,471	$ 3,147,287	$ 492,184

Note 15. Fund Balances

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

	General	Virginia Public Assistance	Debt Service	County Capital Projects Fund	School Capital Projects	Other Governmental Funds	Total Governmental Funds
Restricted for:							
Capital projects	$ -	$ -	$ -	$ 155,000	$ -	$ -	$ 155,000
Total restricted	-	-	-	155,000	-	-	155,000
Committed to:							
Community development	71,125	-	-	-	-	-	71,125
Judicial administration	-	-	-	-	-	38,070	38,070
Public safety	-	-	-	-	-	14,666	14,666
Public assistance	-	153,581	-	-	-	-	153,581
Total committed	71,125	153,581	-	-	-	52,736	277,442
Assigned to:							
Subsequent year appropriation	1,539,270	-	-	-	-	-	1,539,270
General government	9,556	-	14,052	-	-	-	23,608
Education	-	-	-	-	16,645	-	16,645
Capital projects:							
Financial software	-	-	-	471,349	-	-	471,349
ECC system	-	-	-	81,975	-	-	81,975
Fire and Rescue	-	-	-	1,100,000	-	-	1,100,000
Other projects	-	-	-	486,660	-	-	486,660
Total assigned	1,548,826	-	14,052	2,139,984	16,645	-	3,719,507
Unassigned	20,658,342	-	-	-	-	-	20,658,342
Total fund balance	$ 22,278,293	$ 153,581	$ 14,052	$ 2,294,984	$ 16,645	$ 52,736	$ 24,810,291

Note 16. Restatement of Net Position

In the current year the County and School Board adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27, as amended by GASB Statement No. 71*. This standard 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 new 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. Comparative prior year information, to the extent presented, has not been restated because the necessary information is not available.

The County and School Board have also adjusted beginning net position for errors related to capital assets and prior year amounts in the insurance internal service fund.

	Governmental Activities	Business-Type Activities	Airport Fund	Landfill Fund	Insurance Internal Service Fund	Discretely Presented Component Unit – School Board
Net Position, July 1, 2014, as previously reported	$ 24,228,238	$ 15,177,935	$ 12,245,215	$ 2,932,720	$ 833,457	$ 37,519,931
Recognition of pension related liabilities and deferred outflows in accordance with GASB No. 68	(4,314,269)	(172,372)	(29,549)	(142,823)	-	(43,811,568)
Capital asset changes	1,266,228	-	-	-	-	135,696
To correct prior year claim expense	424,000	-	-	-	424,000	-
Net Position, July 1, 2014, as restated	$ 21,604,197	$ 15,005,563	$ 12,215,666	$ 2,789,897	$ 1,257,457	$ (6,155,941)

Note 17. Subsequent Events

Subsequent to year end, the County entered into a lease agreement in the amount of $514,550 to finance new ambulances for a five year term with an interest rate of 1.60%.

Note 18. Pending GASB Statements

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

GASB Statement No. 72, *Fair Value Measurement and Application* addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement will be effective for the year ending June 30, 2016.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pensions* improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement will be effective for the year ending June 30, 2017.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* identifies—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement will be effective for the year ending June 30, 2016 and should be applied retroactively. Earlier application is permitted.

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

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REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT 11

COUNTY OF ORANGE, VIRGINIA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2015

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Local Sources	$ 48,790,568	$ 49,008,547	$ 49,508,656	$ 500,109
Commonwealth	8,644,835	8,737,587	8,014,661	(722,926)
Federal Government	4,000	21,090	21,426	336
General Fund Reserves & Transfers In	1,318	1,963,737	14,820	(1,948,917)
Total revenues	57,440,721	59,730,961	57,559,563	(2,171,398)
EXPENDITURES				
General Government Administration	3,048,451	3,225,313	2,774,183	451,130
Judicial Administration	1,610,661	1,647,336	1,581,072	66,264
Public Safety	11,298,844	11,556,261	10,863,263	692,998
Public Works	902,158	903,270	835,473	67,797
Health & Welfare	3,373,384	3,356,199	2,869,123	487,076
Education	10,385	10,385	10,385	-
Parks, Recreation & Culture	1,230,492	1,330,087	1,244,476	85,611
Community Development	1,053,892	1,169,014	915,959	253,055
Transfers to Other Funds	34,465,695	36,141,673	34,031,188	2,110,485
Non-Departmental	446,759	391,423	149,450	241,973
Total expenditures	57,440,721	59,730,961	55,274,572	4,456,389
Excess of revenues over expenditures	-	-	2,284,991	2,284,991
Net change in fund balance	$ -	$ -	$ 2,284,991	$ 2,284,991

EXHIBIT 12

COUNTY OF ORANGE, VIRGINIA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL VIRGINIA PUBLIC ASSISTANCE FUND Year Ended June 30, 2015

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Intergovernmental revenues:				
Commonwealth	$ 1,144,970	$ 1,144,970	$ 913,961	$ (231,009)
Federal	1,291,137	1,291,137	1,220,723	(70,414)
Total revenues	2,436,107	2,436,107	2,134,684	(301,423)
EXPENDITURES				
Current:				
Health and welfare	3,352,891	3,352,891	3,020,041	332,850
Total expenditures	3,352,891	3,352,891	3,020,041	332,850
Excess (deficiency) of revenues over expenditures	(916,784)	(916,784)	(885,357)	31,427
OTHER FINANCING SOURCES				
Transfers in	916,784	916,784	916,784	-
Total other financing sources	916,784	916,784	916,784	-
Net change in fund balance	$ -	$ -	$ 31,427	$ 31,427

COUNTY OF ORANGE, VIRGINIA

SCHEDULES OF FUNDING PROGRESS – PENSION AND OTHER POST-EMPLOYMENT BENEFITS
June 30, 2015

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	16.56%
July 1, 2012	$ -	$ 857,200	$ 857,200	0.00%	$ 8,504,200	10.08%
July 1, 2014	$ -	$ 1,093,000	$ 1,093,000	0.00%	$ 9,300,200	11.75%
B. School Board:						
July 1, 2010	$ -	$ 6,336,528	$ 6,336,528	0.00%	$ 25,920,297	24.45%
July 1, 2012	$ -	$ 3,105,100	$ 3,105,100	0.00%	$ 25,143,100	12.35%
July 1, 2014	$ -	$ 3,520,600	$ 3,520,600	0.00%	$ 26,881,100	13.10%

EXHIBIT 14

COUNTY OF ORANGE, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
June 30, 2015

	Primary Government	Schools Board Nonprofessional Employees
Total Pension Liability		
Service cost	$ 1,148,245	$ 321,928
Interest on total pension liability	1,972,952	540,454
Benefit payments, including refunds of employee contributions	(1,150,418)	(427,241)
Net change in total pension liability	1,970,779	435,141
Total pension liability - beginning	28,760,241	7,934,394
Total pension liability - ending	$ 30,731,020	$ 8,369,535
Plan Fiduciary Net Position		
Contributions - employer	$ 1,106,261	$ 234,379
Contributions - employee	458,769	143,849
Net investment income	3,692,589	1,204,254
Benefit payments, including refunds of employee contributions	(1,150,418)	(427,241)
Administrative expenses	(19,343)	(6,473)
Other changes	195	63
Net change in plan fiduciary net position	4,088,053	1,148,831
Plan fiduciary net position - beginning	23,167,340	7,643,447
Plan fiduciary net position - ending	$ 27,255,393	$ 8,792,278
Net pension liability (asset) - ending	$ 3,475,627	$ (422,743)
Plan fiduciary net position as a percentage of total pension liability	89%	105%
Covered employee payroll	$ 9,029,806	$ 2,884,491
Net pension liability (asset) as a percentage of covered employee payroll	38%	14.7%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

EXHIBIT 15

COUNTY OF ORANGE, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
June 30, 2015

Year Ended June 30	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Payroll
Primary Government					
2015	$ 1,049,288	$ 1,049,288	$ -	$ 9,244,838	11.35%
School Board - Non-professional Employees					
2015	$ 205,264	$ 205,264	$ -	$ 3,016,799	6.80%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

EXHIBIT 16

COUNTY OF ORANGE, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
VRS TEACHER RETIREMENT PLAN
June 30, 2015

Year Ended June 30	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Employee Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.33%	$ 40,386,000	$ 24,437,220	165.26%	71%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

EXHIBIT 17

COUNTY OF ORANGE, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
VRS TEACHER RETIREMENT PLAN
June 30, 2015

Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2015	$ 3,723,620	$ 3,723,620	$ -	$ 25,670,299	14.51%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

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.

Note 2. **Changes of Benefit Terms – Virginia Retirement Plan**

There have been no significant changes to the Virginia Retirement System (System) benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012 (fiscal year 2014 for the teacher cost sharing pool). The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013, and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

Note 3. **Changes of Assumptions – Virginia Retirement Plan**

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

Largest 10 – Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 –LEOS:
- Update mortality table
- Decrease in male rates of disability

Note 3. Changes of Assumptions – Virginia Retirement Plan (Continued)

All Others (Non 10 Largest) – Non-LEOS:

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

All Others (Non 10 Largest) – LEOS:

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

Teacher cost-sharing pool

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

OTHER SUPPLEMENTARY INFORMATION

EXHIBIT 18

COUNTY OF ORANGE, VIRGINIA

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2015

	Asset Forfeiture	Law Library	Totals
ASSETS			
Cash and cash equivalents	$ 22,306	$ 39,106	$ 61,412
Total assets	$ 22,306	$ 39,106	$ 61,412
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 7,640	$ 1,036	$ 8,676
Total liabilities	7,640	1,036	8,676
Fund balances:			
Committed	14,666	38,070	52,736
Total fund balances	14,666	38,070	52,736
Total liabilites and fund balances	$ 22,306	$ 39,106	$ 61,412

EXHIBIT 19

COUNTY OF ORANGE, VIRGINIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
Year Ended June 30, 2015

	Asset Forfeiture	Law Library	Totals
REVENUES			
Revenue from the use of money and property	$ 21	$ -	$ 21
Charges for services	-	6,449	6,449
Intergovernmental revenues:			
Commonwealth	4,716	-	4,716
Total revenues	4,737	6,449	11,186
EXPENDITURES			
Current:			
Judicial administration	-	9,903	9,903
Public safety	12,345	-	12,345
Total expenditures	12,345	9,903	22,248
Deficiency of revenues over expenditures	(7,608)	(3,454)	(11,062)
OTHER FINANCING USES			
Transfers out	-	(1,492)	(1,492)
Total other financing uses	-	(1,492)	(1,492)
Net change in fund balances	(7,608)	(4,946)	(12,554)
FUND BALANCES AT JULY 1	22,274	43,016	65,290
FUND BALANCES AT JUNE 30	$ 14,666	$ 38,070	$ 52,736

EXHIBIT 20

COUNTY OF ORANGE, VIRGINIA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS
Year Ended June 30, 2015

	Asset Forfeiture Fund				Law Library Fund			
	Budgeted Amounts			Variance with Final Budget Positive	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)	Original	Final	Actual	(Negative)
REVENUES								
Revenue from the use of money and property	$ -	$ -	$ 21	$ 21	$ -	$ -	$ -	$ -
Charges for services				-	6,000	6,000	6,449	449
Intergovernmental revenues:								
Commonwealth	-	4,716	4,716	-	-	-	-	-
Total revenues	-	4,716	4,737	21	6,000	6,000	6,449	449
EXPENDITURES								
Current:								
Judicial administration	-	-	-	-	15,400	15,400	9,903	5,497
Public safety	-	26,983	12,345	14,638	-	-	-	-
Total expenditures	-	26,983	12,345	14,638	15,400	15,400	9,903	5,497
Excess (deficiency) of revenues over expenditures	-	(22,267)	(7,608)	14,659	(9,400)	(9,400)	(3,454)	5,946
OTHER FINANCING SOURCES (USES)								
Transfers out	-	-	-	-	(1,318)	(1,318)	(1,492)	174
Total other financing sources (uses)	-	-	-	-	(1,318)	(1,318)	(1,492)	174
Net change in fund balances	$ -	$ (22,267)	$ (7,608)	$ 14,659	$ (10,718)	$ (10,718)	$ (4,946)	$ 6,120

EXHIBIT 21

COUNTY OF ORANGE, VIRGINIA

COMBINING STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
June 30, 2015

	Special Welfare	Rapidan Hills Limited Partnership	Commonwealth	Bond Escrow Agency	Parks and Recreation Foundation	Total
ASSETS						
Cash and cash equivalents	$ 148,176	$ 7,830	$ 88,297	$ 361,953	$ 1,982	$ 608,238
Total assets	$ 148,176	$ 7,830	$ 88,297	$ 361,953	$ 1,982	$ 608,238
LIABILITIES						
Accounts payable	$ -	$ -	$ -	$ 39,000	$ -	$ 39,000
Amounts held for others	148,176	7,830	88,297	322,953	1,982	569,238
Total liabilities	$ 148,176	$ 7,830	$ 88,297	$ 361,953	$ 1,982	$ 608,238

EXHIBIT 22

COUNTY OF ORANGE, VIRGINIA

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES AGENCY FUNDS Year Ended June 30, 2015

	Beginning Balance	Additions	Deletions	Ending Balance
Special Welfare Fund				
ASSETS				
Cash and cash equivalents	$ 79,221	$ 206,511	$ 137,556	$ 148,176
Total assets	$ 79,221	$ 206,511	$ 137,556	$ 148,176
LIABILITIES				
Amounts held for others	$ 79,221	$ 206,511	$ 137,556	$ 148,176
Total liabilities	$ 79,221	$ 206,511	$ 137,556	$ 148,176
Rapidan Hills Limited Partnership				
ASSETS				
Cash and cash equivalents	$ 7,842	$ (12)	$ -	$ 7,830
Total assets	$ 7,842	$ (12)	$ -	$ 7,830
LIABILITIES				
Amounts held for others	$ 7,842	$ (12)	$ -	$ 7,830
Total liabilities	$ 7,842	$ (12)	$ -	$ 7,830
Commonwealth Fund				
ASSETS				
Cash and cash equivalents	$ 61,409	$ 26,888	$ -	$ 88,297
Total assets	$ 61,409	$ 26,888	$ -	$ 88,297
LIABILITIES				
Amounts held for others	$ 61,409	$ 26,888	$ -	$ 88,297
Total liabilities	$ 61,409	$ 26,888	$ -	$ 88,297
Bond Escrow Agency Fund				
ASSETS				
Cash and cash equivalents	$ 331,103	$ 30,850	$ -	$ 361,953
Total assets	$ 331,103	$ 30,850	$ -	$ 361,953
LIABILITIES				
Accounts payable	$ -	$ 39,000	$ -	$ 39,000
Amounts held for others	331,103	-	8,150	322,953
Total liabilities	$ 331,103	$ 39,000	$ 8,150	$ 361,953
Parks and Recreation Foundation Fund				
ASSETS				
Cash and cash equivalents	$ 1,982	$ -	$ -	$ 1,982
Total assets	$ 1,982	$ -	$ -	$ 1,982
LIABILITIES				
Amounts held for others	$ 1,982	$ -	$ -	$ 1,982
Total liabilities	$ 1,982	$ -	$ -	$ 1,982
Totals – All Agency Funds				
ASSETS				
Cash and cash equivalents	$ 481,557	$ 264,237	$ 137,556	$ 608,238
Total assets	$ 481,557	$ 264,237	$ 137,556	$ 608,238
LIABILITIES				
Accounts payable	$ -	$ 39,000	$ -	$ 39,000
Amounts held for others	481,557	233,387	145,706	569,238
Total liabilities	$ 481,557	$ 272,387	$ 145,706	$ 608,238

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.

EXHIBIT 23

COUNTY OF ORANGE, VIRGINIA

COMBINING BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
Year Ended June 30, 2015

	School Operating	School Textbook Adoptions	Adult Education	Total Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 3,005,086	$ 735,662	$ 1,162	$ -	$ 3,741,910
Accounts receivable, net	30,117	-	9,656	179,684	219,457
Due from other funds	83,583	-	-	-	83,583
Due from other governmental units	1,665,486	-	22,049	116,855	1,804,390
Total assets	$ 4,784,272	$ 735,662	$ 32,867	$ 296,539	$ 5,849,340
LIABILITIES AND FUND BALANCES					
Liabilities:					
Due to other funds	$ -	$ -	$ 4,552	$ 79,031	$ 83,583
Accounts payable	688,476	-	1,755	43,846	734,077
Accrued liabilities	4,095,796	-	16,083	159,302	4,271,181
Total liabilities	4,784,272	-	22,390	282,179	5,088,841
Fund balances:					
Assigned	-	735,662	10,477	14,360	760,499
Total fund balances	-	735,662	10,477	14,360	760,499
Total liabilities and fund balances	$ 4,784,272	$ 735,662	$ 32,867	$ 296,539	$ 5,849,340

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

Total fund balances – governmental funds	$ 760,499
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	50,886,579
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Other post-employment benefits	(2,523,599)
Compensated absences	(1,487,899)
Capital leases payable	(6,391,014)
Accrued interest	(52,551)
Financial statement elements related to pensions are applicable to future periods and, therefore, are not reported in the funds.	
Deferred outflows of resources for 2015 employer contributions	3,928,892
Deferred inflows of resources due to changes in proportion and differences between employer contributions and proporionate share of contributions-teacher cost sharing	(467,000)
Deferred inflows of resources for the net difference between projected and actual investment earnings on pension plan investments	(6,530,922)
Net pension liability - Teacher Retirement Plan	(40,386,000)
Net pension asset - School Non-professional Employees	422,743
Net position of governmental activities	$ (1,840,272)

EXHIBIT 24

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, 2015

	School Operating	School Textbook Adoptions	Adult Education	Total Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Revenue from the use of money and property	$ -	$ -	$ -	$ 153	$ 153
Charges for services	22,094	409	39,357	593,766	655,626
Miscellaneous	469,778	-	-	-	469,778
Intergovernmental revenues:					
County contribution	20,092,729	-	-	-	20,092,729
Commonwealth	26,172,271	-	167,740	201,002	26,541,013
Federal	2,102,686	-	212,810	2,617,767	4,933,263
Total revenues	48,859,558	409	419,907	3,412,688	52,692,562
EXPENDITURES					
Current:					
Education	47,578,740	102,677	429,162	3,398,578	51,509,157
Debt service:					
Principal	460,122	-	-	-	460,122
Interest	339,735	-	-	-	339,735
Total expenditures	48,378,597	102,677	429,162	3,398,578	52,309,014
Excess (deficiency) of revenues over expenditures	480,961	(102,268)	(9,255)	14,110	383,548
OTHER FINANCING SOURCES (USES)					
Transfers in	-	478,085	9,162	-	487,247
Transfers out	(487,247)	-	-	-	(487,247)
Total other financing sources (uses)	(487,247)	478,085	9,162	-	-
Net change in fund balances	(6,286)	375,817	(93)	14,110	383,548
FUND BALANCES AT JULY 1	6,286	359,845	10,570	250	376,951
FUND BALANCES AT JUNE 30	$ -	$ 735,662	$ 10,477	$ 14,360	$ 760,499

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

Net change in fund balances – total governmental funds		$ 383,548
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	1,707,501	
Depreciation expense	(2,946,212)	
Allocation of debt financed school assets based on current year repayments and drawdowns of bond proceeds	3,827,259	
		2,588,548
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		460,122
The net effect of various transactions involving capital assets (i.e. sales, trade-ins, dispositions, and insurance proceeds is to decrease net position).		(361)
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		182,087
Other post-employment benefits		(223,853)
Accrued interest		146,297
Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.		
Employer pension contributions		3,928,892
Pension expense		(3,149,611)
Change in net position of governmental activities		$ 4,315,669

EXHIBIT 25

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, 2015

	School Operating Fund				School Textbook Adoptions Fund				Adult Education Fund			
	Budgeted Amounts			Variance with Final Budget Positive	Budgeted Amounts			Variance with Final Budget Positive	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)	Original	Final	Actual	(Negative)	Original	Final	Actual	(Negative)
REVENUES												
Revenue from the use of money and property	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Charges for services	55,000	55,000	22,094	(32,906)	-	-	409	409	35,224	35,224	39,357	4,133
Miscellaneous	184,234	256,234	469,779	213,545	-	-	-	-	-	-	-	-
Intergovernmental revenues:												
County contribution	20,213,025	22,049,629	20,092,729	(1,956,900)	-	-	-	-	-	-	-	-
Commonwealth	25,774,524	25,891,686	26,172,271	280,585	-	-	-	-	137,315	137,315	167,740	30,425
Federal	1,918,508	2,078,461	2,102,686	24,225	-	-	-	-	207,016	207,016	212,810	5,794
Total revenues	48,145,291	50,331,010	48,859,559	(1,471,451)	-	-	409	409	379,555	379,555	419,907	40,352
EXPENDITURES												
Current:												
Education	47,398,162	48,827,239	47,578,740	1,248,499	472,441	475,037	102,677	372,360	389,243	389,243	429,162	(39,919)
Debt service:												
Principal	245,766	679,309	460,122	219,187	-	-	-	-	-	-	-	-
Interest	19,234	339,735	339,735	-	-	-	-	-	-	-	-	-
Total expenditures	47,663,162	49,846,283	48,378,597	1,467,686	472,441	475,037	102,677	372,360	389,243	389,243	429,162	(39,919)
Excess (deficiency) of revenues over expenditures	482,129	484,727	480,962	(3,765)	(472,441)	(475,037)	(102,268)	372,769	(9,688)	(9,688)	(9,255)	433
OTHER FINANCING SOURCES (USES)												
Transfers in	-	-	-	-	472,441	475,037	478,085	3,048	9,688	9,688	9,162	(526)
Transfers out	(482,129)	(484,727)	(487,247)	(2,520)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(482,129)	(484,727)	(487,247)	(2,520)	472,441	475,037	478,085	3,048	9,688	9,688	9,162	(526)
Net change in fund balances	$ -	$ -	$ (6,285)	$ (6,285)	$ -	$ -	$ 375,817	$ 375,817	$ -	$ -	$ (93)	$ (93)

EXHIBIT 26

COUNTY OF ORANGE, VIRGINIA

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
June 30, 2015

	School Cafeteria	Employee Childcare	Head Start	Total
ASSETS				
Accounts receivable, net	$ 6,518	$ 60,981	$ 112,185	$ 179,684
Due from other governmental units	116,855	-	-	116,855
Total assets	$ 123,373	$ 60,981	$ 112,185	$ 296,539
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other funds	$ 30,420	$ 46,699	$ 1,912	$ 79,031
Accounts payable	5,571	716	37,559	43,846
Accrued liabilities	80,761	5,827	72,714	159,302
Total liabilities	116,752	53,242	112,185	282,179
Fund balances:				
Assigned	6,621	7,739	-	14,360
Total fund balances	6,621	7,739	-	14,360
Total liabilities and fund balances	$ 123,373	$ 60,981	$ 112,185	$ 296,539

EXHIBIT 27

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, 2015

	School Cafeteria	Employee Childcare	Head Start	Total
REVENUES				
Revenue from the use of money and property	$ 153	$ -	$ -	$ 153
Charges for services	459,976	133,790	-	593,766
Intergovernmental revenues:				
Commonwealth	201,002	-	-	201,002
Federal	1,168,565	-	1,449,202	2,617,767
Total revenues	1,829,696	133,790	1,449,202	3,412,688
EXPENDITURES				
Current:				
Education	1,823,075	126,301	1,449,202	3,398,578
Total expenditures	1,823,075	126,301	1,449,202	3,398,578
Excess of revenues over expenditures	6,621	7,489	-	14,110
Net change in fund balances	6,621	7,489	-	14,110
FUND BALANCES AT JULY 1	-	250	-	250
FUND BALANCES AT JUNE 30	$ 6,621	$ 7,739	$ -	$ 14,360

EXHIBIT 28

COUNTY OF ORANGE, VIRGINIA

BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT
ECONOMIC DEVELOPMENT AUTHORITY
June 30, 2015

ASSETS	
Cash and cash equivalents	$ 1,370,855
Total assets	$ 1,370,855
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	$ 3,063
Total liabilities	3,063
Fund balance:	
Assigned	1,367,792
Total fund balance	1,367,792
Total liabilities and fund balance	$ 1,370,855
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:	
Total fund balance	$ 1,367,792
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	129,172
Net position of governmental activities	$ 1,496,964

EXHIBIT 29

COUNTY OF ORANGE, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
DISCRETELY PRESENTED COMPONENT UNIT
ECONOMIC DEVELOPMENT AUTHORITY
Year Ended June 30, 2015

REVENUES	
Revenue from the use of money and property	$ 4,046
Intergovernmental revenues:	
Local Contribution	49,089
Total revenues	53,135
EXPENDITURES	
Current:	
Community development	67,678
Total expenditures	67,678
Deficiency of revenues over expenditures	(14,543)
Net change in fund balance	(14,543)
FUND BALANCE AT JULY 1	1,382,335
FUND BALANCE AT JUNE 30	$ 1,367,792

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.

Contents **Table**

Financial Trends **1-4**

These tables contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.

Revenue Capacity **5-8**

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.

Debt Capacity **9-10**

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.

Demographic and Economic Information **11-12**

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.

Operating Information **13**

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.

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

	2015*	2014	2013	2012	2011	2010	2009	2008	2007	2006
Governmental activities										
Net investment in capital assets	$ 3,496,972	$ 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
Restricted	155,000	155,000	155,000	-	-	-	-	-	-	-
Unrestricted	21,071,507	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
Total governmental activities net position	24,723,479	24,228,238	20,937,852	22,598,567	30,544,379	26,799,807	27,023,352	29,249,010	28,107,121	34,162,794
Business-type activities										
Net investment in capital assets	14,347,875	14,827,910	15,240,183	12,913,544	11,649,754	9,873,370	9,337,495	8,274,862	-	-
Unrestricted	475,783	350,025	616,845	2,018,586	2,666,307	2,342,618	1,355,176	828,666	-	-
Total business-type activities net position	14,823,658	15,177,935	15,857,028	14,932,130	14,316,061	12,215,988	10,692,671	9,103,528	-	-
Primary government										
Net investment in capital assets	17,844,847	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
Restricted	155,000	155,000	155,000	-	-	-	-	-	-	-
Unrestricted	21,547,290	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
Total primary government net position	$ 39,547,137	$ 39,406,173	$ 36,794,880	$ 37,530,697	$ 44,860,440	$ 39,015,795	$ 37,716,023	$ 38,352,538	$ 28,107,121	$ 34,162,794

*GASB Statement No. 68 was adopted in fiscal year 2015.

TABLE 2

COUNTY OF ORANGE, VIRGINIA

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Expenses										
Governmental activities										
General government	$ 3,593,666	$ 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
Judicial administration	1,614,274	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
Public safety	11,256,292	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
Public works	862,112	842,455	920,361	790,439	642,287	679,892	800,019	616,698	1,218,688	1,539,839
Health and welfare	5,910,475	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
Education	24,906,681	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
Parks, recreation, and cultural	1,280,110	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
Community development	931,565	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
Interest	3,444,343	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
Total governmental activities	53,799,518	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
Business-type activities										
Airport	872,700	983,900	916,700	898,525	840,425	733,545	548,514	568,900	-	-
Landfill	2,827,009	2,848,400	2,276,549	2,111,304	3,347,359	2,246,931	2,616,278	3,161,506	-	-
Total business-type activities expense	3,699,709	3,832,300	3,193,249	3,009,829	4,187,784	2,980,476	3,164,792	3,730,406	-	-
Total primary government expenses	57,499,227	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
Program revenues										
Governmental activities										
Charges for services										
General government	1,011,671	1,093,314	1,055,846	1,100,931	1,771,477	-	-	-	-	-
Judicial administration	317,892	364,960	291,311	219,673	340,045	68,202	31,787	87,693	155,591	168,416
Public safety	1,583,631	1,504,002	1,326,899	1,606,510	1,317,980	1,512,408	1,267,967	960,636	911,715	985,938
Public works	-	-	-	-	-	-	166,136	292,287	543,931	502,646
Health and welfare	-	2,523								
Education	289,941	222,483	170,955	185,123	271,022	-	-	-	-	-
Parks, recreation, and cultural	136,894	121,074	156,424	154,866	134,921	432,304	522,889	1,012,648	1,084,077	967,809
Community development	-	-	-	-	-	505	-	-	-	2,960
Operating grants and contributions	5,953,895	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
Capital grants and contributions	-	540,000	-	-	47,546	625,490	661,450	878,745	1,114,046	1,709,449
Total governmental activities program revenues	9,293,924	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
Business-type activities										
Charges for services										
Airport	379,093	429,389	422,685	470,543	417,480	307,756	223,071	285,453	-	-
Landfill	286,516	326,146	286,168	333,339	309,195	255,400	317,267	531,189	-	-
Operating grants and contributions	16,995	9,115	24,513	9,296	11,568	538,546	965,798	1,766,434		
Capital grants and contributions	298,068	553,624	475,995	605,634	1,144,325	-	-	-	-	-
Total business-type activities program revenues	980,672	1,318,274	1,209,361	1,418,812	1,882,568	1,101,702	1,506,136	2,583,076	-	-
Total primary government program revenues	10,274,596	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

(Continued)

TABLE 2

COUNTY OF ORANGE, VIRGINIA

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Net (expense) revenue										
Governmental activities	$ (44,505,594)	$ (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)
Business-type activities	(2,719,037)	(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	(47,224,631)	(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)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	39,884,990	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
Local sales and use	2,621,812	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
Consumers' utility taxes	1,982,022	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
Consumption taxes	100,354	99,172	96,389	89,117	101,613	90,711	91,249	88,810	87,131	122,586
Cable franchise taxes	-	-	-	-	-	-	-	-	71,315	61,553
E-911 taxes	-	-	-	-	-	-	-	-	188,853	355,080
Cellular phone taxes	-	-	-	-	-	-	-	-	193,332	313,258
Motor vehicle license taxes	951,035	960,387	914,527	662,916	652,932	677,609	662,465	626,497	35,106	648,453
Taxes on recordation and wills	446,202	434,981	460,522	379,057	381,132	455,274	471,439	699,013	794,539	1,180,858
Restaurant food taxes	742,794	713,125	646,602	631,748	577,864	510,629	514,019	540,904	541,263	429,096
Other local taxes	159,310	137,535	207,100	143,343	152,660	115,720	83,338	93,386	84,397	92,602
Unrestricted revenues from use of money and property	120,969	133,126	192,056	234,352	354,819	1,974,347	1,006,373	2,091,066	1,414,945	1,285,767
Miscellaneous	223,249	349,951	304,803	294,343	491,702	580,009	690,938	676,056	195,531	1,508,103
Grants and contributions not restricted to specific programs	2,871,718	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
Transfers	(2,479,579)	(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	47,624,876	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
Business-type activities:										
Unrestricted revenues from use of money and property	-	-	-	-	-	-	40,775	33,880	35,247	-
Miscellaneous	57,553	40,902	56,516	61,713	48,104	106,302	5,068	-	-	-
Transfers	2,479,579	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	2,537,132	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	50,162,008	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
Changes in Net Position										
Governmental activities	3,119,282	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
Business-type activities	(181,905)	(438,232)	924,898	616,069	1,633,404	1,523,317	1,589,143	1,372,526	1,930,374	-
Total primary government	$ 2,937,377	$ 2,495,057	$ (735,817)	$ (5,791,018)	$ 2,756,197	$ 923,655	$ (636,515)	$ 2,540,386	$ 862,635	$ 4,872,388

TABLE 3

COUNTY OF ORANGE, VIRGINIA

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

	2015	2014	2013	2012	2011
General Fund					
Committed	$ 71,125	$ 71,125	$ 71,125	$ 144,000	$ -
Assigned	1,548,826	3,096	82,564	1,743,994	2,488,194
Unassigned	20,658,342	19,919,081	18,297,201	17,583,447	17,101,685
Total general fund	$ 22,278,293	$ 19,993,302	$ 18,450,890	$ 19,471,441	$ 19,589,879
All Other Governmental Funds					
Restricted	$ 155,000	$ 448,020	$ 714,249	$ -	$ 2,387,117
Committed	206,317	187,444	252,351	289,624	211,209
Assigned	2,170,681	2,032,623	1,963,019	1,747,670	2,383,275
Unassigned	-	-	-	-	(107,010)
Total all other governmental funds	$ 2,531,998	$ 2,668,087	$ 2,929,619	$ 2,037,294	$ 4,874,591

	2010	2009	2008	2007	2006
General Fund					
Reserved	$ -	$ -	$ -	$ 11,924,047	$ 10,926,181
Unreserved	17,204,546	17,204,546	15,756,672	6,010,892	7,106,515
Total general fund	$ 17,204,546	$ 17,204,546	$ 15,756,672	$ 17,934,939	$ 18,032,696
All Other Governmental Funds					
Reserved	$ 10,052,344	$ 34,667,985	$ 1,371,161	$ 2,265,476	$ 3,427,367
Unreserved, reported in:					
Special revenue fund	487,893	400,645	238,715	126,342	915,799
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
Total all other governmental funds	$ 13,840,434	$ 39,977,180	$ 23,010,864	$ 6,927,929	$ 10,071,000

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
REVENUES										
General property taxes	$ 39,724,465	$ 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
Other local taxes	7,003,529	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
Permits, privilege fees, and regulatory licenses	307,295	321,965	354,996	304,007	225,857	171,857	178,415	306,181	550,158	623,031
Fines and forfeitures	32,820	96,143	17,964	337	50,182	38,798	260	407	1,956	1,422
Revenue from use of money and property	120,969	133,126	192,056	234,352	354,819	1,974,347	1,006,373	2,089,726	1,414,945	1,285,767
Charges for services	2,007,624	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
Miscellaneous	223,249	349,951	304,803	294,343	491,702	580,009	720,399	676,056	195,531	1,508,103
Recovered costs	1,596,671	1,658,315	1,595,849	1,620,931	2,266,476	214,018	163,170	171,527	60,490	286,981
Intergovernmental:										
Local government	-	-	-	-	-	-	-	-	-	36,269
Commonwealth	7,583,464	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
Federal	1,242,149	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
Total revenues	59,842,235	57,484,233	54,153,650	51,905,887	53,763,943	51,548,046	49,550,323	49,311,190	44,907,006	45,647,035
EXPENDITURES										
General government	2,774,183	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
Judicial administration	1,590,975	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
Public safety	10,875,608	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
Public works	835,473	842,977	854,968	739,907	749,891	695,733	932,482	697,084	613,288	2,061,668
Health and welfare	5,889,164	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
Education	20,086,846	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
Parks, recreation, and cultural	1,244,476	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
Community development	915,959	1,507,750	952,071	960,472	947,721	1,453,749	1,541,267	1,681,742	2,146,077	1,362,168
Nondepartmental	149,450	74,854	58,853	56,646	79,648	64,989	70,641	1,929	1,386	75,188
Capital projects	2,181,597	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
Debt service:										
Principal	5,422,510	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
Interest and fiscal charges	3,754,016	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
Bond issuance costs	-	-	-	-	-	-	161,844	636,298	-	-
Total expenditures	55,720,257	53,862,660	52,693,615	52,716,246	56,566,790	73,317,246	64,957,616	58,460,616	44,801,870	45,713,174
Excess of revenues over (under) expenditures	4,121,978	3,621,573	1,460,035	(810,359)	(2,802,847)	(21,769,200)	(15,407,293)	(9,149,426)	105,136	(66,139)
OTHER FINANCING SOURCES (USES)										
Transfers in	11,759,177	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
Transfers out	(14,227,123)	(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)
Issuance of bonds	-	-	-	-	-	-	30,550,000	5,220,000	-	15,214,434
Premium on bonds issued	-	-	-	-	-	-	2,847,298	280,267	-	773,145
Issuance of capital leases	494,870	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)	(1,973,076)	(1,978,685)	(1,950,271)	(2,145,373)	(3,890,516)	(3,295,789)	30,195,342	24,810,283	(3,087,955)	987,579
Net change in fund balances	$ 2,148,902	$ 1,642,888	$ (490,236)	$ (2,955,732)	$ (6,693,363)	$ (25,064,989)	$ 14,788,049	$ 15,660,857	$ (2,982,819)	$ 921,440
Debt service as a percentage of noncapital expenditures	17.05%	17.92%	18.62%	19.61%	21.16%	17.01%	13.97%	13.81%	13.55%	14.65%

TABLE 5

COUNTY OF ORANGE, VIRGINIA

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

	Real Estate (1)						Personal Property							
Tax Year	Residential	Commercial	Agricultural	Land Use Deferment	Public Service Companies (2)	Nominal Tax Rate per $100	Personal Property (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
2015	$ 2,872,989,900	$ 288,499,900	$ 938,883,900	$ (405,605,300)	$ 159,283,646	$ 0.804	$ 267,188,483	$ 3.750	$ 4,531,275	$ 0.804	$ 36,472,265	$ 1.831	$ 44,482,505	$ 0.400
2014	$ 2,851,679,600	$ 285,469,200	$ 935,478,300	$ (392,770,900)	$ 156,469,027	$ 0.804	$ 260,018,870	$ 3.750	$ 4,659,999	$ 0.804	$ 31,425,320	$ 1.831	$ 47,827,072	$ 0.400
2013	$ 2,831,446,900	$ 278,849,200	$ 937,481,400	$ (395,149,600)	$ 158,528,254	$ 0.720	$ 253,822,185.00	$ 3.750	$ 4,772,504.00	$ 0.720	$ 30,302,947.00	1.831	$ 38,623,768.00	$ 0.400
2012	$ 2,813,280,900	$ 268,501,700	$ 934,808,400	$ (399,110,800)	$ 150,901,640	$ 0.720	$ 247,033,473.00	$ 3.750	$ 4,753,499.00	$ 0.720	$ 32,438,245.00	1.831	$ 36,833,317.00	$ 0.400
2011	$ 4,049,804,500	$ 274,307,300	$ 1,299,776,700	$ (627,490,300)	$ 146,290,996	$ 0.490	$ 238,198,946.00	$ 3.270	$ 5,857,655.00	$ 0.490	$ 46,108,840.00	1.831	$ 34,275,835.00	$ 0.400
2010	$ 4,032,854,000	$ 276,234,300	$ 1,303,981,800	$ (618,427,800)	$ 149,505,359	$ 0.490	$ 233,050,277.00	$ 3.270	$ 5,888,190.00	$ 0.490	$ 49,158,875.00	1.831	$ 34,848,749.00	$ 0.400
2009	$ 4,012,310,300	$ 276,643,400	$ 1,312,888,700	$ (605,297,900)	$ 140,776,365	$ 0.470	$ 227,694,111.00	$ 3.270	$ 6,142,616.00	$ 0.470	$ 51,910,995.00	1.831	$ 38,197,251.00	$ 0.400
2008	$ 3,966,139,800	$ 274,589,900	$ 1,327,183,700	$ (613,881,300)	$ 134,996,368	$ 0.470	$ 351,899,437.00	$ 2.200	$ 6,073,710.00	$ 0.470	$ 62,542,275.00	1.831	$ 38,635,793.00	$ 0.400
2007	$ 3,832,636,100	$ 273,206,951	$ 1,341,185,300	$ (594,753,400)	$ 138,373,058	$ 0.420	$ 324,623,641.00	$ 2.200	$ 6,376,260.00	$ 0.420	$ 67,804,289.00	1.831	$ 38,535,558.00	$ 0.400
2006	$ 1,703,444,000	$ 140,473,400	$ 453,776,600	$ (89,432,700)	$ 60,793,710	$ 0.870	$ 303,837,917.00	$ 2.200	$ 7,391,460.00	$ 0.870	$ 59,068,436.00	1.831	$ 37,568,681.00	$ 0.400

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

Source: Commissioner of Revenue

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

TABLE 5

COUNTY OF ORANGE, VIRGINIA

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

	Personal Property (Continued)													
Tax Year	Business and Heavy Equipment (4)	Nominal Tax Rate per $100	RVs and Campers (5)	Nominal Tax Rate per $100	Airplanes	Nominal Tax Rate per $100	Boats	Nominal Tax Rate per $100	Logging Equipment	Nominal Tax Rate per $100	Public Service Companies (2)	Nominal Tax Rate per $100	Total Taxable Assessed Value	Direct* Tax Rate per $100
2015	$ 37,401,024	$ 2.200	$ 5,644,432	$ 2.620	$ 3,663,235	$ 0.700	$ 10,791,413	$ 2.090	$ -	$ -	$ 136,301	3.750	$ 4,264,362,979	1.001
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

(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
2015	0.729	0.225	0.001	0.014	0.005	0.019	0.003	0.001	0.005	1.001
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

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

(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

		2015			2006		
Taxpayer	Type of Business	Assessed Value (1)	Rank	Percentage of Total Taxable Assessed Value	Assessed Value (1)	Rank	Percentage of Total Taxable Assessed Value
VanHoven Enterprises, LLC	Horticulture	$ 48,800,000	1	1.27%	$ -	-	0.00%
Holtzbrinck Publishers	Book Distributor	18,418,100	2	0.48%	22,837,100	1	1.01%
Aerojet General Corp	Manufacturing	16,739,300	3	0.43%	13,016,200	2	0.57%
Wal-Mart	Retail	11,437,700	4	0.30%	-	-	0.00%
Rocklands LLC	Agriculture	10,666,900	5	0.28%	-	-	0.00%
Orange Village	Shopping Center	8,479,100	6	0.22%	4,929,800	3	0.22%
Howell Taylor LTD	Agriculture	7,446,700	7	0.19%	-	-	0.00%
P.W. Hiden LLC	Agriculture	6,645,800	8	0.17%	-	-	0.00%
Somerset Plantation Inc.	Agriculture	6,568,600	9	0.17%	-	-	0.00%
American Woodmark	Manufacturing	6,499,000	10	0.17%	3,880,000	5	0.17%
Barboursville Corporation	Winery	-	-	0.00%	2,945,400	9	0.13%
PMC Distribution	Manufacturing	-	-	0.00%	3,437,800	6	0.15%
Lohman Corporation	Manufacturing	-	-	0.00%	2,195,900	10	0.10%
L & M Properties LLC	Manufacturing	-	-	0.00%	3,242,500	8	0.14%
One America Place	Manufacturing	-	-	0.00%	3,292,700	7	0.15%
General Shale	Manufacturing	-	-	0.00%	3,923,700	4	0.17%
Total Principal Property Tax Payers' Assessed Values		141,701,200		3.68%	63,701,100		2.81%
All Other Tax Payers' Assessed Values		3,712,350,846		96.32%	2,205,353,910		97.19%
Total Annual Assessed Values		$ 3,854,052,046		100.00%	$ 2,269,055,010		100.00%

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
2015	$ 42,035,631	$ 41,509,115	98.75%	$ -	$ 41,509,115	100.00%
2014	$ 40,285,579	$ 39,072,965	96.99%	$ -	$ 39,057,715	99.96%
2013	$ 38,114,349	$ 37,414,751	98.16%	$ 43,866	$ 37,755,646	99.06%
2012	$ 32,995,952	$ 32,237,484	97.70%	$ 13,751	$ 32,845,297	99.54%
2011	$ 31,815,752	$ 31,299,234	98.38%	$ 430,697	$ 31,729,931	99.73%
2010	$ 31,189,040	$ 30,128,613	96.60%	$ 973,784	$ 31,102,397	99.72%
2009	$ 31,114,223	$ 29,624,406	95.21%	$ 1,484,672	$ 31,109,078	99.98%
2008	$ 28,931,323	$ 28,369,702	98.06%	$ 559,301	$ 28,929,003	99.99%
2007	$ 25,148,884	$ 24,720,477	98.30%	$ 426,768	$ 25,147,245	99.99%
2006	$ 23,323,620	$ 22,722,591	97.42%	$ 600,492	$ 23,323,083	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

	Governmental Activities						
Fiscal Year	General Obligation Bonds	Literary Fund Loans	Other Notes/ Bonds	Capital Leases	Total Primary Government	Percentage of Personal Income (1)	Debt Per Capita (1)
2015	$ 50,004,318	$ -	$ 25,852,628	$ 1,438,147	$ 77,295,093	N/A	2,223
2014	$ 54,474,685	$ -	$ 26,666,166	$ 1,310,884	$ 82,451,735	N/A	2,391
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

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

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

TABLE 10

COUNTY OF ORANGE, VIRGINIA

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

Fiscal Year Ended June 30	Gross Bonded Debt	Less: Amounts Reserved for Debt Service	Net Bonded Debt	Ratio of Net General Obligation Debt to Assessed Value	Net Bonded Debt per Capita (1)
2015	$ 50,004,318	$ -	$ 50,004,318	1.17%	$ 1,438
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

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

TABLE 11

COUNTY OF ORANGE, VIRGINIA

DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

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

(1) Souce: 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

	2015			2006		
Employer	**Employees**	**Rank**	**Percentage of Total Employment**	**Employees**	**Rank**	**Percentage of Total Employment**
Germanna Community College*	361	1	4.09%	375	2	3.99%
American Woodmark	329	2	3.73%	375	3	3.99%
Dogwood Village of Orange County	319	3	3.62%	375	1	3.99%
MPS	305	4	3.46%	175	4	1.86%
Walmart	229	5	2.60%	-	-	0.00%
Battlefield Farms	201	6	2.28%	175	7	1.86%
Zamma Corporation	186	7	2.11%	-	-	0.00%
Food Lion	185	8	2.10%	175	6	1.86%
Aerojet General Corporation	165	9	1.87%	175	10	1.86%
Ridgid Tool Manufacturing	134	10	1.52%	175	8	1.86%
American Press	N/A	N/A	0.00%	175	5	1.86%
Bluegreen Corporation	N/A	N/A	0.00%	175	9	1.86%
			26.45%			25.03%
Total County Employment**	8,817			9,388		

Source: Virginia Employment Commisssion, 2nd Quarter 2014

** quasi private employer*

TABLE 13

COUNTY OF ORANGE, VIRGINIA

OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS
UNAUDITED

Function	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Public safety										
Sheriffs department: (1)										
Physical arrests	1,106	1,085	1,017	994	804	840	847	996	1,059	331
Traffic violations	2,471	2,499	2,602	2,017	2,429	3,320	3,260	2,294	1,328	320
Civil papers	10,064	10,919	9,913	10,379	10,679	11,051	11,920	11,648	11,361	3,893
Fire and rescue:										
Number of calls answered	6,529	5,707	5,962	6,834	5,463	5,696	4,686	5,385	5,281	4,174
Building inspections:										
Permits issued	778	848	826	693	633	679	675	985	1,207	980
Animal control:										
Number of calls answered (1)	1280	1229	776	1,385	1,319	1,213	658	767	947	8,370
Public works										
General maintenance:										
Trucks/vehicles	5	3	3	3	3	3	3	16	15	15
Landfill:										
Refuse collected (total tons per year)	15,871	24,373	23,696	25,985	33,269	35,946	44,914	47,762	76,656	71,866
Recycling (total tons per year)	1,571	1,979	7,000	1,733	1,561	2,076	2,343	4,035	N/A	881
Health and welfare										
Office on Youth Childcare Enrollment:										
Gordon Barbour Elementary School	55	37	37	42	43	N/A	N/A	N/A	N/A	N/A
Locust Grove Primary School	76	34	46	33	39	N/A	N/A	N/A	N/A	N/A
Orange Elementary School	36	43	site closed	site closed	30	N/A	N/A	N/A	N/A	N/A
Culture and recreation										
Parks and recreation:										
After-school program participants	136	144	116	99	196	177	-	461	379	360
Youth sports participants	515	591	541	931	456	439	364	1,864	1,139	866
Community development										
Planning:										
Zoning permits issued	328	290	313	283	252	355	337	497	764	695
Component Unit – School Board										
Education:										
Average Daily Membership (ADM)	4,969	4,971	4,960	5,023	5,027	5,058	5,110	5,044	4,869	4,614
Number of teachers	348	348	346	339	346	391	388	386	390	N/A
Local expenditures per pupil	4,055	3,690	3,908	3,198	3,216	n/a	3,458	3,418	3,280	N/A

TABLE 13

COUNTY OF ORANGE, VIRGINIA

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

Employee Population										
General administration	32	32	103	101	31	38	35	38	N/A	N/A
Judicial administration	21	21	15	11	16	23	23	23	N/A	N/A
Public safety	97	113	107	100	93	126	114	109	N/A	N/A
Public works	8	8	9	9	8	8	6	8	N/A	N/A
Health and welfare	4	-	-	-	-	3	2	3	N/A	N/A
Parks, recreation, and cultural	9	59	12	20	35	62	58	90	N/A	N/A
Community development	9	10	4	7	9	10	10	13	N/A	N/A
Non-departmental	-	-	-	45	-	-	-	-	N/A	N/A
Airport	1	4	4	3	4	4	4	5	N/A	N/A
Landfill	8	40	39	31	33	36	34	36	N/A	N/A
Capital Assets (net of accumulated depreciation)										
General administration	14,635,541	14,557,883	15,439,858	15,068,367						
Judicial administration	17,896	13,588	-	-	N/A	N/A	N/A	N/A	N/A	N/A
Public safety	2,730,149	2,057,784	1,750,344	1,622,991	N/A	N/A	N/A	N/A	N/A	N/A
Public works	275,612	265,767	424,182	387,448	N/A	N/A	N/A	N/A	N/A	N/A
Health and welfare	67,154	45,282	-	30,018	N/A	N/A	N/A	N/A	N/A	N/A
Education	95,427,463	96,257,186	94,077,159	95,082,005	N/A	N/A	N/A	N/A		
Parks, recreation and cultural	245,596	272,228	15,594	94,105	N/A	N/A	N/A	N/A	N/A	N/A
Community development	148,084	142,711	63,510	129,172	N/A	N/A	N/A	N/A	N/A	N/A
Airport	11,371,563	11,526,529	11,327,593	11,646,100	N/A	N/A	N/A	N/A	N/A	N/A
Landfill	2,976,312	3,301,381	3,912,590	1,267,444	N/A	N/A	N/A	N/A	N/A	N/A
Total	$ 127,895,370	$ 128,440,339	$ 127,010,830	125,327,650	N/A	N/A	N/A	N/A	N/A	N/A

Source: Individual county departments

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

COMPLIANCE SECTION

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BROWNEDWARDS
certified public accountants

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, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated January 28, 2016.

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 a certain deficiency in internal control that we consider to be a material weakness.**

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. **We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2011-001 and 2015-002 to be material weaknesses.**

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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.

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 Responses 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
January 28, 2016

BROWNEDWARDS
certified public accountants

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, 2015. 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, 2015.

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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
January 28, 2016

COUNTY OF ORANGE, VIRGINIA

SUMMARY OF COMPLIANCE MATTERS
June 30, 2015

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, 2015

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	1,449,202	$ 1,449,202
Pass Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556		8,170
Temporary Assistance to Needy Families (TANF)	93.558		169,142
Refugee and Entrant Assistance - Discretionary Grants	93.566		225
Low Income Home Energy Assistance	93.568		19,190
Child Care and Development Block Grant	93.575		(5,157)
Child Care Mandatory and Matching funds of the Child Care and Development Fund	93.596		22,923
Child Welfare Services - State Grants	93.645		1,039
Foster Care - Title IV-E	93.658		163,420
Adoption Assistance	93.659		239,000
Social Services Block Grant	93.667		148,654
Chafee Foster Care Independence Program	93.674		3,596
Children's Health Insurance Program	93.767		7,050
Medical Assistance Program	93.778		237,933
Total Department of Health & Human Services-pass through			1,015,185
Total Department of Health and Human Services			2,464,387
Department of Agriculture:			
Pass Through Payments:			
Food Distribution - Schools	10.555	111,252	
Department of Education:			
National School Breakfast Program	10.553	241,575	
National School Lunch Program	10.555	839,785	
Summer Food Service Program	10.559	34,575	
Total Child Nutrition Cluster			1,227,187
Child Nutrition Discretionary Grants	10.579		52,630
Department of Social Services:			
State Administration:			
SNAP Cluster:			
Matching Grants for Supplemental Nutrition Assistance Program	10.561		205,536
Total Department of Agriculture			1,485,353
Department of the Interior:			
Direct payments:			
Bureau of Land Management:			
Payments in Lieu of Taxes	15.226		13,550

(Continued)

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 Transportation:			
Direct Payments:			
Airport Improvement Program	20.106		$ 128,700
Pass Through Payments:			
Department of Motor Vehicles:			
State and community highway safety program	20.600		9,221
Total Department of Transportation			137,921
Pass Through Payments:			
Department of Education:			
Adult Education - Basic Grants to States	84.002		212,810
Title I grants to local educational agencies (Title 1 Part A Cluster)	84.010		746,556
Advance Placement Program (Title 1, Part G)	84.330		1,517
Special Education-Grants to States (Special Education Cluster)	84.027	1,074,444	
Special Education - preschool grants (Special Education Cluster)	84.173	17,964	
Total Special Education Cluster:			1,092,408
Career and Technical Education: Basic grants to states	84.048		68,807
English language acquisition grants	84.365		15,931
Improving Teacher Quality State Grants	84.367		123,975
Total Department of Education			2,262,004
Department of Defense:			
Direct Payments:			
ROTC language and culture training grants	12.357		63,762
Total Expenditures of Federal Awards			$ 6,426,977

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, 2015

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:

Name of Program:	**CFDA #**
Head Start	93.600
Child Nutrition Cluster – School Breakfast Program	10.553
Child Nutrition Cluster – National School Lunch Program	10.555
Title I	84.010

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

2011-001: 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.

B. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)

2015-002: Material adjustments (Material Weakness)

Condition:

There were two material adjustments which were necessary for the financial statements to be in compliance with generally accepted accounting principles. The adjustments related to:

- An entry to properly state beginning capital assets, beginning net position, and current year depreciation for government-wide presentation for incorrect depreciable lives of a force main sewer pump station.
- An entry to properly state accounts payable, the related expenses, and beginning net position in the insurance internal service fund for amounts incorrectly included in both accounts payable and the incurred but not reported liability for both fiscal years 2015 and 2014.

Recommendation:

To help prevent similar misstatements from occurring in the future, we recommend periodically reviewing capital assets and depreciable lives to ensure amounts and estimates are appropriate. We also recommend the incurred but not reported balances for the insurance internal service fund as of year-end be reviewed to ensure amounts are also not captured in accounts payable. Performing such reconciliations on a regular basis may help ensure that errors do not accumulate and can instead be identified and attributed to a particular period.

Management's Response:

The auditee concurs with this recommendation.

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

None.

D. FINDINGS – COMMONWEALTH OF VIRGINIA

None.