Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2016

Orange County, Virginia

COUNTY OF ORANGE, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2016

PREPARED BY

FINANCE DEPARTMENT
ORANGE, VIRGINIA

COUNTY OF ORANGE, VIRGINIA

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INTRODUCTORY SECTION

ORANGE COUNTY, VIRGINIA
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February 17, 2017

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

It is my pleasure to submit to you the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2016. This report has been prepared in accordance with Section 15.2-2503 of the Code of Virginia, 1950, as amended. The report is designed to present fairly the respective financial position of the government activities, business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County in all material respects, and to demonstrate compliance with applicable finance-related legal and contractual provisions.

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

PBMares, LLP, a firm of licensed certified public accountants, has audited and issued an unmodified "clean" opinion on the financial statements of Orange County for the fiscal year ended June 30, 2016. 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 34,874. 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.

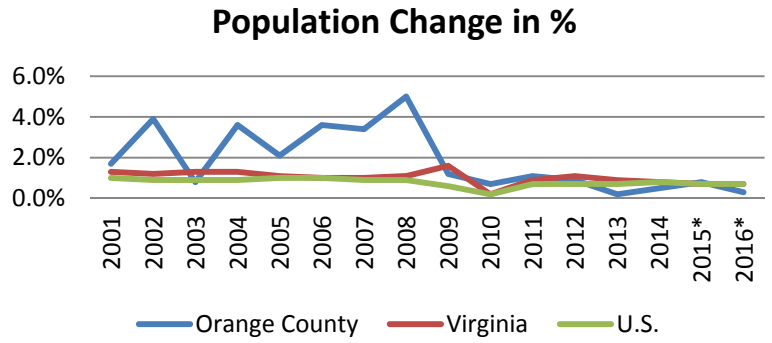
Orange County is financially accountable for a legally separate school district, which is reported separately within the financial statements as a component unit. Orange County Public Schools is the single largest service provided by the County. The School Board is composed of five elected members from 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, five elementary schools and one primary school. The average daily membership for the purpose of establishing the amounts of state school aid for school year 2015-2016 was 4,840. This represents a decrease of one hundred twenty-nine 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. The legal level of budgetary control (the level at which management cannot adjust the budget without the approval of the governing body) is the functional level. Functional categories include General Administration, Judicial Administration, Public Safety, Public Works, Health & Welfare, Education, Parks, Recreation & Culture, and Community Development.

Economic Conditions and Outlook

The local economy continued to grow at a relatively slow pace in fiscal year 2016. A major driver of the County's economy during the 2000's was population growth with many new residents moving in to enjoy the County's rural and picturesque location and proximity to the markets of Richmond, Charlottesville, Culpeper, Fredericksburg, and the Washington D.C./Northern Virginia metropolitan area. As indicated in the following chart, Orange County's population growth between 2001 and 2009 was well above the state and national rates and growth in the commercial and service sectors of the economy accompanied the new residents. As the general economy slowed, so did the in-migration and the most recent estimates now indicate Orange County's population growth has fallen below the state and national rates.



* Represents estimated change in population

Because tourism has become a rapidly-growing component of the County's economy, during fiscal year 2015, a study was conducted by Mangum Economics to measure the local economic impact of the industry. Orange County is home to 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 Mangum Economics study concluded that local tourism-related businesses can play a particularly useful role in rounding out the economic development strategies of rural communities such as Orange County. Tourism businesses can accomplish this by creating and aiding in the retention of jobs, increasing economic diversity, taking advantage of existing rural and agricultural assets, generating new business opportunities for complimentary products and services, providing entry level positions which develop soft skills in first-time workers, and fostering the development of critical customer and local supplier networks.

James Madison's Montpelier

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

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

Agriculture continues to play a major role in the County's economic life. The number of farms in the County has 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.

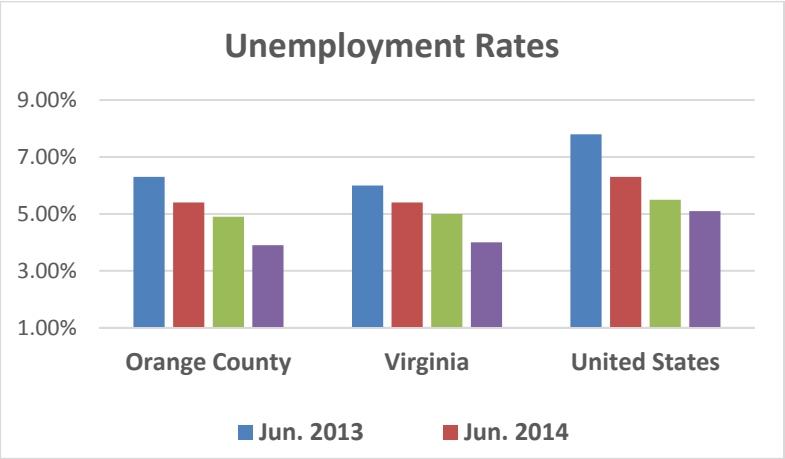
Aerojet Rocketdyne

During fiscal year 2016, the Virginia Economic Development Partnership (VEDP) worked with Orange County and the Central Virginia Partnership for Economic Development to secure two major economic development projects in Orange County. Virginia Governor Terry McAuliffe approved $385,000 in grants from the Commonwealth Opportunity Fund to assist Orange County in providing incentives for expansion to two local manufacturers, Aerojet Rocketdyne and Lohmann Specialty Coatings LLC. The expansions are expected to create over 150 new jobs within the County with an investment of over $17.7 million.

Aerojet Rocketdyne is an innovative aerospace and defense leader that provides propulsion and energetics to the space, missile defense and strategic systems, tactical systems and armaments areas, in support of domestic and international markets. The 100 jobs created by their expansion in Orange County will have an average salary of $70,000.

Lohmann Specialty Coatings LLC has been a world-wide pioneer in the adhesive industry since 1938 and manufactures high-end adhesive bonding materials for clients such as Abbott, BMW, and Bosch Siemans. Lohmann's Orange County expansion is expected to create 56 new jobs at an average annual wage of $51,000.

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, 2016, of 3.9%; slightly less than the state average of 4.0%, and also below the national unemployment rate of 5.1%.



According to the Bureau of Economic Analysis, in 2015, Orange County per capita personal income rose by 4.0% over the previous year compared to the state-wide increase of 3.9%. The national increase in per capita personal income was 3.7%.

Despite a general reassessment of real estate effective January 1, 2016, the taxable assessed value of real property in the County increased by only 0.7% for the 2016 tax year. Regular personal property, which includes automobiles, increased by 4.5%. Machinery and Tools assessed values increased by 3.8% as new investments were made in this category by local industries. Business and Heavy Equipment values decreased slightly by 1.8%. Merchants Capital assessed values increased by 5.9% for the 2016 tax year, and assessed values for RVs and Campers increased by approximately 8.5% over the prior year. Total assessed values for Aircraft decreased by 27.4% and the assessed values for Boats decreased by 9.8%. Total property assessments for all property types increased by .67% and .96% for tax years 2015 and 2016 respectively.

The decrease in assessed values for Aircraft reflects the fact that several other neighboring localities with airports recently reduced their property tax rates on aircraft. As an economic development strategy, the personal property tax on aircraft was eliminated in Orange County as part of the fiscal year 2016-2017 approved budget. The Orange County Airport had been at a competitive disadvantage to recruit and locate new aircraft at the airport due to the continued assessment of the tax. Other nearby localities with comparable airfields which have no or a de minimis personal property tax levy on aircraft include Culpeper, Fredericksburg, Warrenton, Leesburg, and Manassas. Louisa County's personal property tax rate for aircraft is $0.48 per $100 of assessed value. It is anticipated that T-hanger and tie-down rentals at the Orange County Airport will increase by the elimination of the tax and by extension, fuel sales and service work at the airport should increase as well.

According to a recent report by the Greater Piedmont Area Association of Realtors, home sales prices within the area increased by 20.5% during the twelve-month period ending September, 2016, and the median length of time on the market has declined from eighty-seven days to fifty-three days during the same period. Based on this information, the next general reassessment of real property within the County (anticipated to become effective in 2020) may result in a more substantial increase in taxable assessed values.

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

Economic Development Authority Strategic Plan Initiative

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

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

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

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

Major Initiatives

During fiscal year 2016, the County continued to progress on a number of projects including another county-wide general reassessment of real property, replacement vehicles for the Sheriff and other County Departments, and continued funding for the Landfill's closure reserve. A significant investment was also made in renovations to the Wilderness Library branch, computer hardware replacements, and the establishment of a project development line item for preliminary capital project expenditures.

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

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

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

The written public comment period 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.

Orange County, Virginia High School

During the fiscal year 2016 fiscal year, The Orange County Public School Board began the second phase of an Energy Performance Contract for $1.2 million. The first phase of this project was completed in fiscal year 2015 for a total of $6.2 million. The 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 2014, 2015 and 2016 fiscal years were $284,640, $219,186 and $225,772 respectively. The first debt service payments were due on the obligation during fiscal year 2015 and totaled $569,279. Debt Service payments for fiscal year 2016 totaled $438,371. 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 fiscal year 2015 pending the completion of an Environmental Assessment (EA) which was deemed necessary by the Federal Aviation Administration (FAA).

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

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

Long-Term Financial Planning

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 December 6, 2016, and included the following major assumptions:

- 1% increases in assessed values for real property
- 2.5% increases in assessed values for personal property
- 5% increases in other local taxes
- 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 2018-2022 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 still in its infancy, it may eventually reduce the gap between revenues and expenditures in future forecasts.

Five-Year General Fund Forecast
December 6, 2016

	2016-2017 Budget	2017-2018 Forecast	2018-2019 Forecast	2019-2020 Forecast	2020-2021 Forecast	2021-2022 Forecast
Revenue:						
General Property Taxes	40,119,568	40,883,437	41,402,604	41,929,721	42,464,936	43,008,402
Other Local Taxes	5,735,695	6,022,480	6,323,604	6,639,784	6,971,773	7,320,362
Permits, Fees, License	334,538	341,229	348,053	355,014	362,115	369,357
Fines and Forfeitures	162,500	165,750	169,065	172,446	175,895	179,413
Use of Money and Property	122,395	122,395	122,395	122,395	122,395	122,395
Charges for Service	1,948,009	1,970,918	1,994,090	2,017,563	2,041,342	2,065,430
Miscellaneous Revenue	382,210	382,210	382,210	382,210	382,210	382,210
Recovered Costs	1,539,744	1,319,747	1,320,769	1,316,156	1,323,588	1,320,756
State Aid	8,063,514	8,034,324	8,002,021	8,020,251	8,040,008	8,061,280
Federal Grants	13,550	13,686	13,822	13,961	14,100	14,241
Transfer In from Other Funds	1,631	1,663	1,697	1,731	1,765	1,801
Other	-	-	-	-	-	-
Total Revenue & Other Sources	**58,423,354**	**59,257,839**	**60,080,330**	**60,971,232**	**61,900,127**	**62,845,647**
Total Expenditures	**58,734,354**	**59,612,704**	**61,124,072**	**61,954,185**	**63,355,910**	**65,084,097**
Budgeted Use of Fund Balance	(311,000)	-	-	-	-	-
Difference*	**-**	**(354,865)**	**(1,043,742)**	**(982,953)**	**(1,455,783)**	**(2,238,450)**
One cent of real estate taxes equals	372,183	376,854	380,623	384,429	388,273	392,156
Difference expressed as change in real estate tax	-	0.94	2.74	2.56	3.75	5.71

* To be funded by expenditure reductions or additional revenue.

Relevant Financial Policies

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

Tax Revenue Generation

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

Supporting Financial Operations

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

Debt

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

Capital Improvement Plan and Budget

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

Reserves

The Board continued its Reserves Policy which sets the minimum level of acceptable unassigned General Fund balance for a fiscal stability reserve at 15% of the combined actual operating expenditures of the General Fund and School Operating Fund (net of inter-fund transfers). In addition, the Board's policy states that unassigned general fund balance should not exceed 18%. At June 30, 2016, unassigned General Fund balance increased slightly from 24.58% to 24.95% of expenditures as defined in the policy. Subsequent to June 30, 2016, carry-forward requests were approved and additional fund balance amounts assigned of $2,386,524 bringing the percentage to 18.1% of operating expenditures when calculated using fiscal year 2017 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, 2015. This was the tenth 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

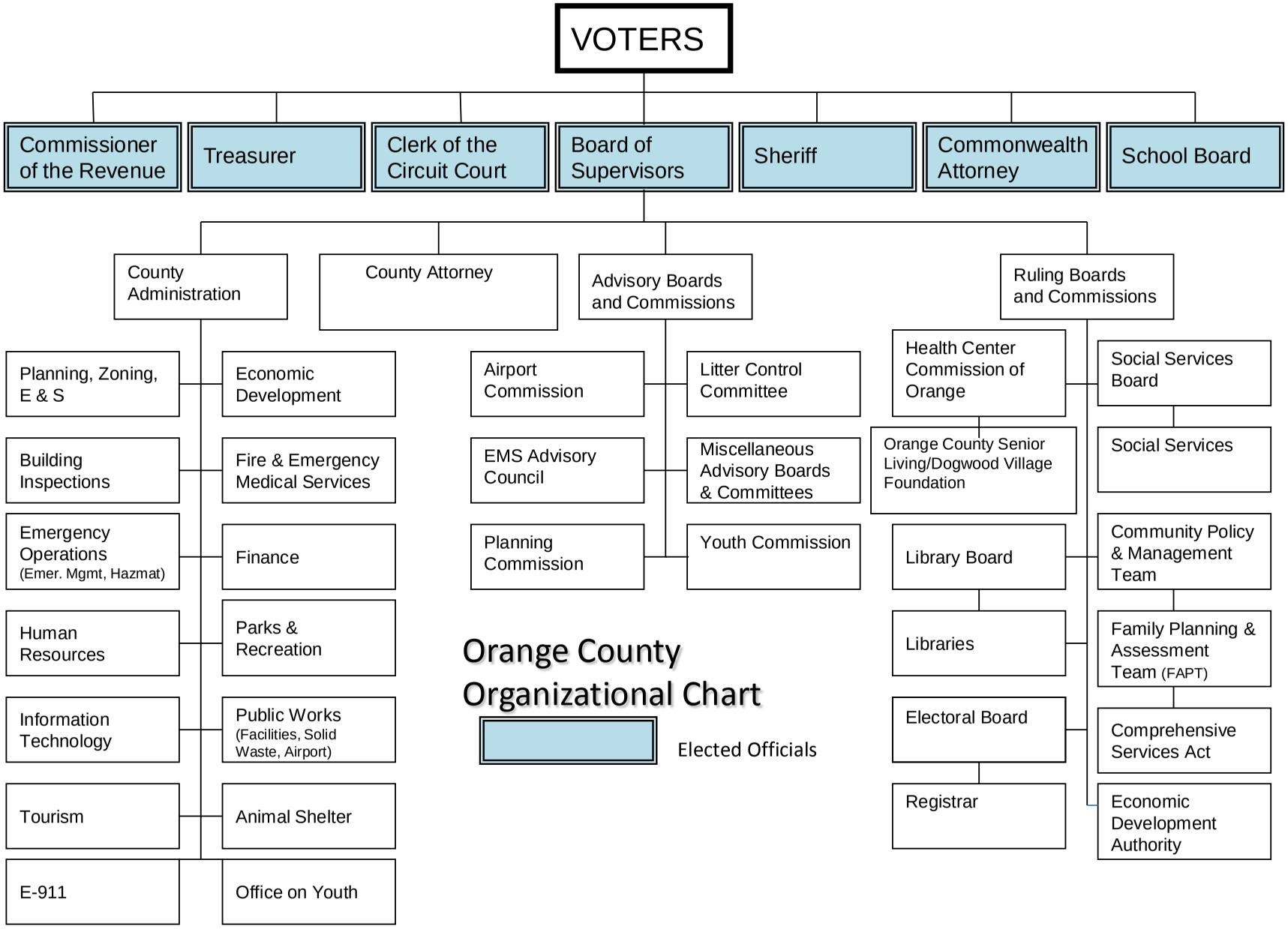
Presented to

County of Orange Virginia

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2015

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

COUNTY OF ORANGE, VIRGINIA

Directory of Principal Officials
June 30, 2016

Board of Supervisors

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

Mark Johnson | James P. Crozier | James White

School Board

Sherrie Page, Chair
Judy P. Carter, Vice Chair

Carol Couch | Bette Winter | Jim Hopkins

Other Officials

Presiding 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.
	Clairborne H. Stokes, Jr.
	William G. Barkley
	Dale B. Durrer
Judges of the Juvenile & Domestic Relations Court	Claude V. Worrell
	Deborah S. Tinsley
	David M. Barredo
	Edward DeJ. Berry
	Frank W. Sommerville
County Attorney	Thomas E. Lacheney
Commonwealth's Attorney	Diana Wheeler
Commissioner of the Revenue	Renee Pope
Treasurer	Dawn Watson
Sheriff	Mark A. Amos
Superintendent of Schools	Dr. Brenda Tanner
Clerk of the School Board	Laura Byram
Director of Social Services	Elizabeth Middleton
County Administrator	R. Bryan David
Assistant County Administrator for Financial & Management Services	Glenda Bradley
Assistant County Administrator for Operations	Kurt Hildebrand
School Board Chief Financial Officer	Alexander Bryan

INDEPENDENT AUDITORS

PBMares, LLP

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Orange, Virginia (County), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 18 to the financial statements, the County restated net position to record capital assets not recorded in the prior year and to record an adjustment for a change in accounting principle for the amortization of bond premiums, discounts, and deferred charge on refunding. The School Board Component Unit restated net position to record adjustments to capital assets and to record an adjustment to compensated absences. The Economic Development Authority Component Unit restated net position to record capital assets not recorded in the prior year.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis and the required supplementary information on pages 4-14 and 83-91, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2017 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.

PBMares, LLP

Harrisonburg, Virginia
February 17, 2017

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, 2016. 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 ix of this report.

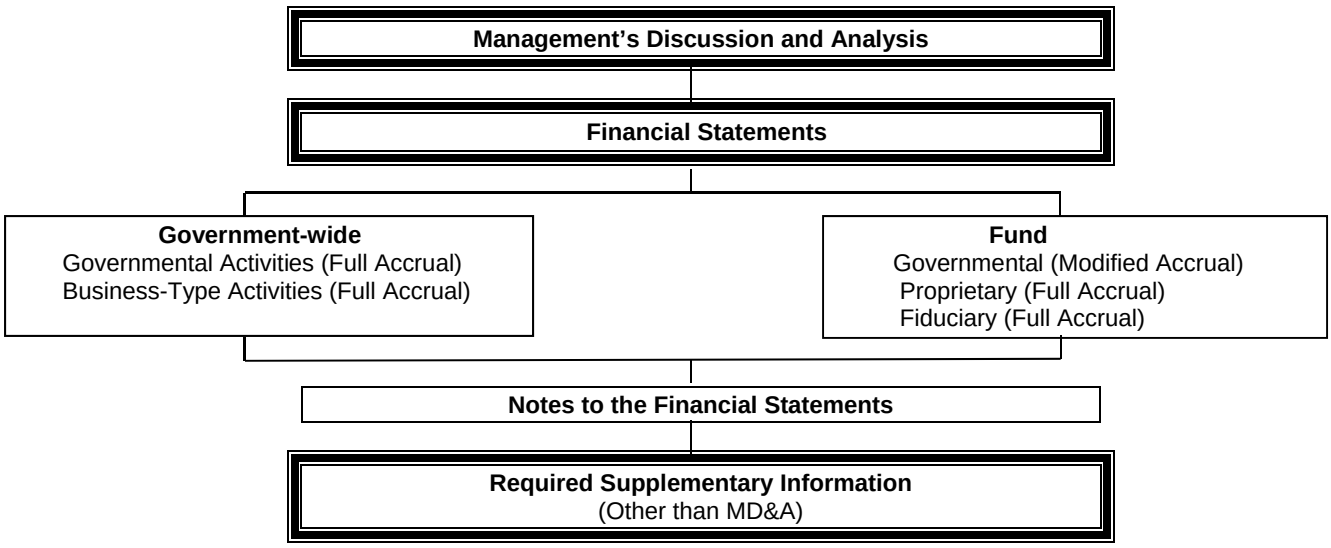
Financial Highlights

- The assets and deferred outflows of resources of the County of Orange (primary government) exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $41,049,242 (*net position*). Of this amount $26,558,739 resulted from governmental activities and $14,490,503 from business-type activities.
- On a government-wide basis for governmental activities, the County had expenses net of program revenues of $46,009,261 which were $2,646,485 less than the general revenues and transfers of $48,655,746.
- On a government-wide basis for business-type activities, the County had expenses net of program revenues of $2,454,937. The net position for business-type activities was reduced by a total of $333,155 due to a reduction in state and federal airport grant reimbursements and lower fuel sales in the Airport Fund.

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, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual method of accounting. All of the year's revenue and expenses are 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 27-82 of this report.

Other Information

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

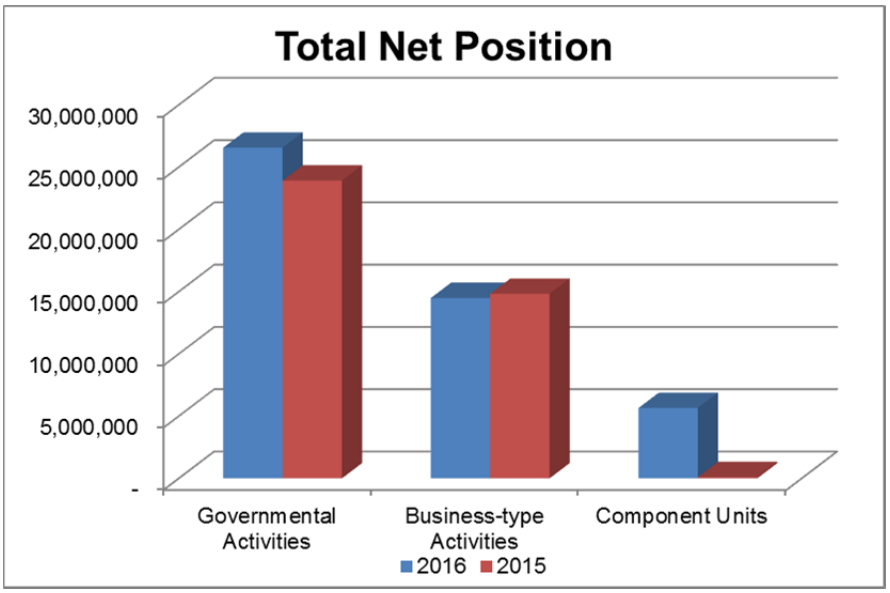
The combining statements in connection with non-major governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found in the other supplementary information section of this report.

Government-wide Financial Analysis

The following table presents the condensed Statement of Net Position:

Orange County, VA
Summary Statement of Net Position

	Primary Government					
	Governmental Activities		Business-type Activities		Component Units	
	2016	2015	2016	2015	2016	2015
Current and Other Assets	$ 50,537,337	$ 49,344,050	$ 3,490,395	$ 3,253,743	$ 10,227,369	$ 7,559,355
Capital Assets (net)	57,764,329	62,625,127	13,779,641	14,347,875	53,964,753	50,760,049
Total Assets	108,301,666	111,969,177	17,270,036	17,601,618	64,192,122	58,319,404
Total Deferred Outflows of Resources	1,382,123	1,271,026	42,501	43,584	5,215,840	3,928,892
Long-term Liabilities	77,158,982	83,479,726	2,542,890	2,438,042	54,056,735	50,098,733
Other Liabilities	4,494,567	3,762,869	221,012	320,279	5,835,225	5,060,872
Total Liabilities	81,653,549	87,242,595	2,763,902	2,758,321	59,891,960	55,159,605
Total Deferred Inflows of Resources	1,471,501	2,085,354	58,132	63,223	3,860,504	6,997,922
Net Position:						
Net Investment in Capital Assets	3,005,800	2,685,747	13,779,641	14,347,875	46,817,600	44,369,035
Restricted	534,309	155,000	-	-	-	-
Unrestricted (deficit)	23,018,630	21,071,507	710,862	475,783	(41,162,102)	(44,278,266)
Total Net Position, as Restated	$ 26,558,739	$ 23,912,254	$ 14,490,503	$ 14,823,658	$ 5,655,498	$ 90,769



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	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program Revenues:						
Charges for Service	$ 3,689,195	$ 3,340,029	$ 692,906	$ 665,609	$ 1,103,103	$ 655,626
Operating Grants & Contributions	6,500,636	5,953,895	9,207	16,995	31,979,973	31,474,276
Capital Grants & Contributions	88,320	-	30,865	298,068	380,446	-
General Revenues:						
Real Estate & Personal Property Taxes	39,853,041	39,884,990	-	-	-	-
Other Local Taxes	5,889,432	7,003,529	-	-	-	-
Grants & Contributions Not Restricted to Specific Purposes	-	-	-	-	21,512,600	20,135,935
Intergovernmental, Non-Categorical Aid	4,265,161	2,871,718	-	-	-	-
Use of Property & Money	203,645	120,969	-	-	5,020	4,199
Miscellaneous	558,478	223,249	7,771	57,553	870,823	475,661
Total Revenues	61,047,908	59,398,379	740,749	1,038,225	55,851,965	52,745,697
Expenses:						
General Administration	3,697,143	4,404,891	-	-	377,628	760
Judicial Administration	1,650,036	1,614,274	-	-	-	-
Public Safety	11,957,728	11,256,292	-	-	-	-
Public Works	878,661	862,112	-	-	-	-
Health & Welfare	6,060,296	5,910,475	-	-	-	-
Education	26,187,147	24,906,681	-	-	49,909,608	48,009,734
Parks, Recreation, and Cultural	1,285,193	1,280,110	-	-	-	-
Community Development	1,432,001	931,565	-	-	-	-
Interest	3,139,207	3,444,343	-	-	-	-
Airport	-	-	777,557	872,700	-	-
Landfill	-	-	2,410,358	2,827,009	-	-
Total Expenses	56,287,412	54,610,743	3,187,915	3,699,709	50,287,236	48,010,494
Excess (Deficiency) Before Transfers	4,760,496	4,787,636	(2,447,166)	(2,661,484)	5,564,729	4,735,203
Transfers In (Out)	(2,114,011)	(2,479,579)	2,114,011	2,479,579	-	-
Change in Net Position	2,646,485	2,308,057	(333,155)	(181,905)	5,564,729	4,735,203
Net Position Beginning	23,912,254	21,604,197	14,823,658	15,005,563	90,769	(4,644,434)
Net Position, Ending, as Restated	$26,558,739	$ 23,912,254	$ 14,490,503	$ 14,823,658	$ 5,655,498	$ 90,769

Net Position

The Primary Government's governmental net position increased by $2,646,485 or 11% during the year ended June 30, 2016. 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 and grant revenue in the Airport Fund. Fuel sales at the airport were adversely impacted by a reduction in the number of aircraft based at the airport. Net position in the County's component units increased by a total of $5,564,729 during fiscal year 2016. The previous year's increase in net position for the County's component units was $4,735,203.

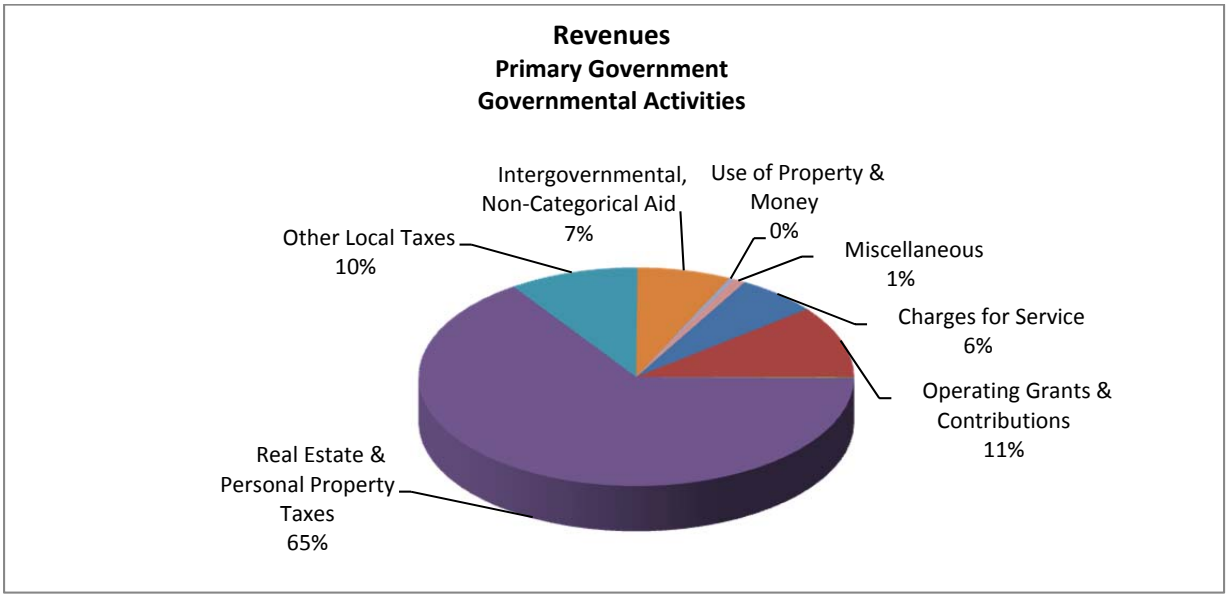
Unrestricted governmental net position increased by $1,947,123. Restricted governmental net position of $534,309 represents $379,309 collected from Dogwood Village for fiscal year 2017 debt service and $155,000 in Wal-Mart cash payments which were collected as conditions for a special use permit for future capital improvements.

Revenues

For the fiscal year ended June 30, 2016, revenues generated by the Primary Government's governmental activities totaled $61,047,908. General property taxes, the County's largest revenue source, were $39,853,041. 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 fiscal year 2016 was $0.804 which was the same as the prior year. The rate was increased in fiscal year 2015 from $0.72 which was the budgeted rate for fiscal year 2014. The 8.4 cent increase, which generated approximately $3.1 million in additional revenue, was primarily intended to provide an ongoing funding stream for capital replacement which had been deferred for a number of years. It also increased operational funding for the school system. During FY16, unbudgeted revenue from the 2014 first-half tax billing was transferred to the Capital Project Fund to establish a reserve for project development within the fund.

Fiscal year 2016 continues to reflect the changes in the Personal Property Tax Relief Act (PPTRA) that were approved by the General Assembly in 2005. This legislation capped the amount localities receive from the state. The new legislation established a fixed amount to be provided to localities for funding tax relief for vehicles valued at less than $20,000. The PPTRA became effective with the 2006 tax year and is based on the amount collected for 2004 taxes through December 2005. The total amount Orange County receives under the new program is $2,763,073. This amount enabled the County to provide car tax relief of 32.34% up to the first $20,000 in value for fiscal year 2016.

The other local tax category includes sales tax, consumer utilities tax, occupancy tax, recordation tax, motor vehicle license tax, and food and beverage tax. Sales tax revenue increased $173,232 or 6.6% from the previous fiscal year. Motor Vehicle License revenue increased by $51,908 or 5.5%. Meals Tax revenue was also up by $26,500 or 3.6%.



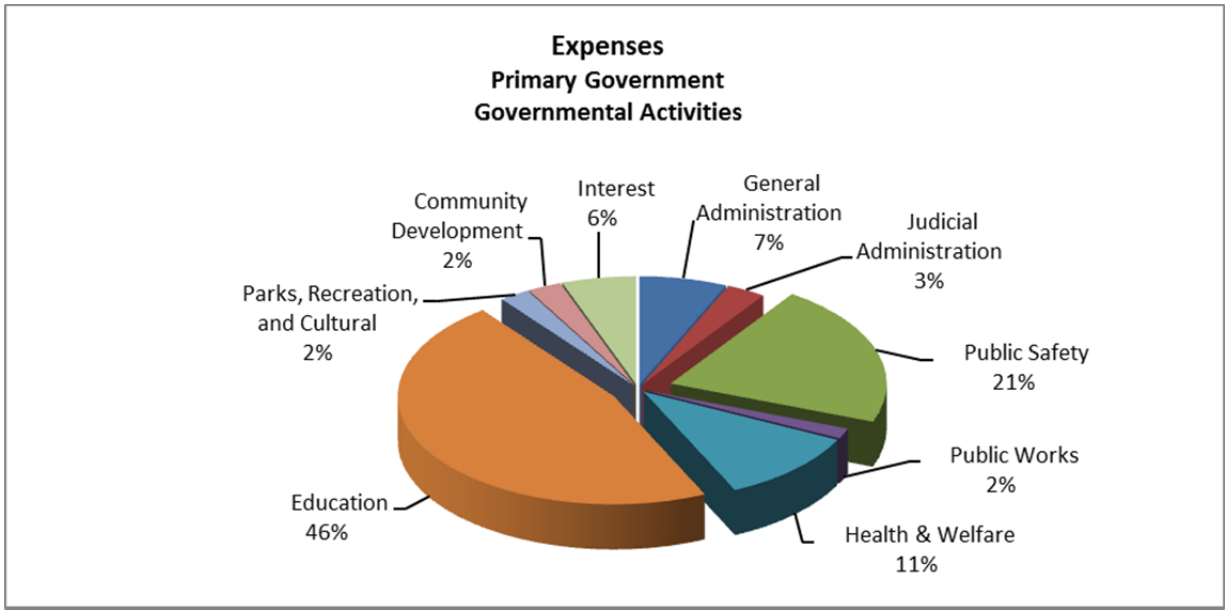
Program revenues are derived from the program itself and reduce the cost of the function to the County. This category includes charges for services and operating and capital grant revenues. Total program revenues for governmental activities were $10,278,151, an increase of $984,227 from the previous year. This increase is partly attributable to the fact that Commonwealth Opportunity Fund grant proceeds of $385,000 were received in fiscal year 2016 for one-time economic development incentives. Program revenues in the governmental funds include charges for services that totaled $3,689,195 and includes charges for ambulance fees, recreation and childcare programs, and building permits. This category reflects an increase over the prior year of 10.5% which was distributed across functional areas of expenditures. Operating grant revenue increased by $546,741 over the prior year, primarily in the area of Health and Welfare (which includes administration of the Comprehensive Service Act) and Community Development.

Proprietary funds generated program revenues of $692,906 from charges for services and $40,072 in operating and capital grant revenues and contributions. Charges for services increased significantly in the Landfill Fund, however this increase was offset by decreased fuel sales in the Airport Fund. Grant revenue was also lower due to a delay in reimbursable airport capital projects because of a required preliminary environmental assessment.

Expenses

For the fiscal year ended June 30, 2016, expenses for governmental activities totaled $56,287,412, an increase of 3.1% or $1,676,669. 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 $1,280,466 and $701,436, respectively, over the previous fiscal year. The fiscal year 2016 budget included an operational contribution increase to schools of 2.8% or $562,391. The increase in operational funding was intended to offset anticipated health insurance increases of 10% and to provide funds to extend the wage increase included in the state's adopted budget to all School Board employees. In addition, the County appropriates funds for School capital projects annually. During fiscal year 2016, the County contributed a total of $1,054,292 in previously appropriated school capital funding from the County's Capital Project Fund to establish a separate School Capital Projects Fund.

In the Primary Government, personnel expenses for fiscal year 2016 included increases in general government health insurance costs of approximately 10% and funding for the County's share of increased operating costs due to the expansion of the Central Virginia Regional Jail. During fiscal year 2016, the County added three full-time positions (included one in Public Safety, one in Judicial Administration, and one in the Office on Youth). The positions in Judicial Administration and the Office on Youth resulted in the elimination of two part-time positions. One new part-time position was approved which will be a shared position between the Office on Youth, Tourism and Parks and Recreation. A county-wide market pay and reclassification study was implemented at a cost of $425,697 which included several targeted reclassifications and an annualized wage adjustment for all positions.



Expenditures within the General Administration category reflect expenditures required to compensate elected officials during fiscal year 2016 (due to the increased number of elections) and also the fact that a position vacancy existed in FY15 that was not repeated during fiscal year 2016. Expenditures within the Judicial Administration category reflect increases related to an additional court deputy position which was approved as part of the fiscal year 2016 budget. Expenditures in Health and Welfare increased mainly due to the CSA program which increased substantially during the fourth quarter of fiscal year 2016. CSA expenses were up significantly for Special Education Private Day Placement which accounts for most of the increase in this category. The Parks and Recreation category reflects additional expenditures related to the operations of Booster Park. Another significant increase in Governmental expenditures was in Community Development and represents the grant-funded pass-through of incentives related to two economic development projects. Other factors in the year-to-year comparison of Governmental expenditures are differences due to position vacancies in a number of departments and other one-time expenses that only affect one of the fiscal years. Interest on long-term debt reflects a decrease of $305,136 as the County's outstanding obligations are retired in accordance with debt service schedules.

The County's Proprietary Funds reflect a total of $3,187,915 in expenses compared to $3,699,709 for fiscal year 2015. 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

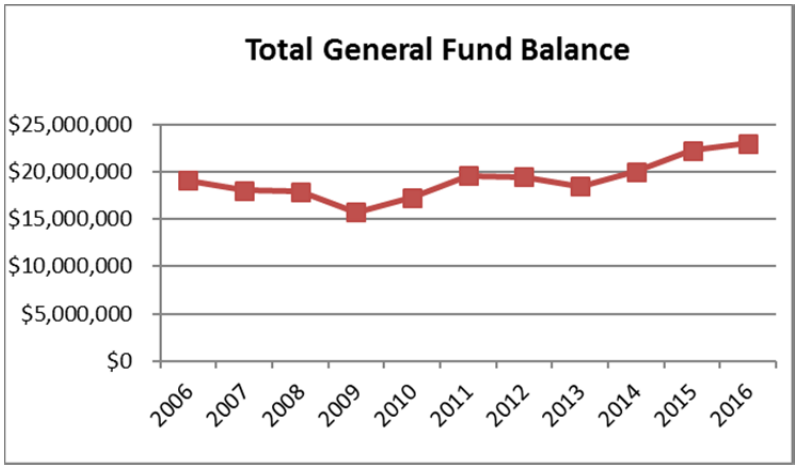
As noted earlier, the County of Orange uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

For the fiscal year ended June 30, 2016, the County's governmental funds reflect a combined fund balance of $26,576,069 some of which is reserved for specific purposes such as capital outlay and debt service. The increase of $1,765,778 over fiscal year 2015 consists of a positive variance between revenues and expenditures in the General Fund of $752,542, and $1,013,236 in other governmental funds, all of which is assigned, committed or restricted for specific purposes. Most of the variance within other governmental funds is due to ongoing capital projects for which the funds will be carried forward and expended in fiscal year 2017.

It should be noted that the *original* fiscal year 2016 budget included 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 fiscal year 2014 budget was developed and was adopted in advance of the fiscal year 2015 budget in order to generate additional revenue for specific capital projects and to create additional operational funding for the Orange County Public Schools.

At June 30, 2016, unassigned General Fund balance was $22,153,299 or 24.95% of actual operating expenditures as defined by the County's fund balance policy. Total general fund balance increased by $752,542 from fiscal year 2015. Actual General Fund revenues were more than budget estimates (excluding appropriated fund balance) by $561,608 and actual General Fund expenditures were less than budget estimates by $3,914,458. The *revised* fiscal year 2016 budget included a total of $3,925,544 in appropriated fund balance that was not ultimately used due to the overall favorable budget-to-actual variance. A total of $1,938,118 in general fund balance has been re-appropriated in carry-forward requests to fiscal year 2017 for ongoing projects. An additional appropriation of $3,746,555 was approved as part of a comprehensive financing plan combining the use of cash reserves with bond proceeds for several Public Safety projects as well as the County's Broadband initiative.

The 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, 2016, unassigned General Fund balance increased from 24.58% of expenditures to 24.95% as defined in the policy. The additional appropriations approved since June 30, 2016 will bring the percentage to 18.1% of operating expenditures when calculated using fiscal year 2017 budgeted expenditures.



Fund Balance in the Virginia Public Assistance Fund decreased by $22,043 due to the budgeted use of fund balance for the purchase of new technology.

The total amount of Fund Balance within the Debt Service Fund was used 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 Capital Project Fund increased by $1,041,066 mainly due to the transfer of general fund balance described above. Most of the Fund Balance within the County Capital Project Fund is assigned to specific capital projects as approved in the adopted Capital Improvements Plan.

General Fund Budgetary Highlights

Differences between the original operating budget and the final operating budget resulted in a net increase of $3,516,622 in additional appropriations. Highlights of the budget amendments are as follows:

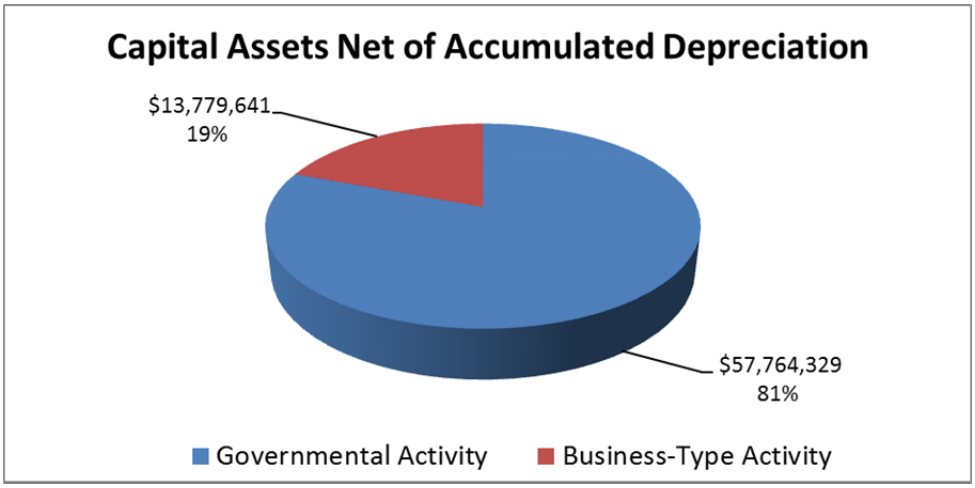
Budget Amendment	Amount
School Board carryover requests for ongoing projects	$ 2,036,205
Economic Development Incentives	461,201
General Fund carryover requests for ongoing projects	285,789
Children's Services Act Budget (increased usage, state and local)	274,975
Transfer Surplus Funds from Sale of Property (delinquent tax sales	173,692
Rappahannock-Rapidan Juvenile Detention Center (Increased Usa	94,291
Additional Medical Expenses for Central Virginia Regional Jail	68,411
Appropriate Insurance Proceeds to Replace Sheriff's vehicles	41,618
Transfer Availability Fees to Capital Project Fund	40,000
E-Rate Grant Funds for Library	35,454

As detailed above, the largest budget amendment was for the carry forward of unspent funds from fiscal year 2015 for Orange County Public Schools. The request funded the continuation of several capital projects totaling $1,006,708, one-time operational expenditures of $282,756 and previously unfunded projects of $746,741. The previously unfunded projects included the replacement of a chiller at the Taylor Education Administration Complex, a wireless access project, window replacements and security cameras. The one-time operational expenses and the new projects were purchased using operational savings from fiscal year 2015. 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.

Differences between the final amended budget and actuals included property tax collections that exceeded budget estimates by a total of $492,579, primarily in the personal property tax category. Commonwealth intergovernmental revenues lagged behind budget estimates by $256,340, however much of that was due to delays in the timing of the projects. The largest expenditure variance between the final amended budget and actuals was in the Education category ($2,353,314). Most of this amount ($1,589,506) has since been approved for carry forward by the School Board for ongoing projects and other one-time purchases.

Capital Assets

The County of Orange's investment in capital assets for its governmental and business-type activities as of June 30, 2016, amounts to $71,543,970 (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, 2015	Net Increase/ (Decrease)	Balance June 30, 2016
Governmental Activities:			
Non-Depreciable Assets:			
Land	$ 1,052,417	$ (23,972)	$ 1,028,445
Easements	41,990	-	41,990
Construction in Progress	617,323	(403,845)	213,478
Other Capital Assets:			
Buildings & Improvements	19,957,594	388,829	20,346,423
School Buildings & Improvements	49,628,775	(4,396,602)	45,232,173
Furniture and Other Equipment	9,369,518	961,661	10,331,179
Less: Accumulated Depreciation	(18,042,491)	(1,386,868)	(19,429,359)
Business-type Activities:			
Non-Depreciable Assets:			
Land	1,829,903	-	1,829,903
Construction in Progress	605,016	(97,090)	507,926
Other Capital Assets:			
Buildings & Improvements	11,636,939	130,446	11,767,385
Landfill Development Costs	3,349,705	-	3,349,705
Furniture and Other Equipment	1,209,495	(13,031)	1,196,464
Less: Accumulated Depreciation	(4,283,183)	(588,559)	(4,871,742)
Net Capital Assets, as restated	$ 76,973,001	$ (5,429,031)	$ 71,543,970

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

Long-Term Debt

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

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

The County occasionally uses lease-purchase financing (capital leases) to acquire large equipment items as approved in the annual operating budget process. At June 30, 2016, the County had four such leases outstanding which were for the purchase of two fire trucks in fiscal year 2008 for a ten-year term at 3.57% interest, for a bundle of equipment purchased in fiscal year 2013 including financial software, a VOIP telephone system, wireless radios and a generator, and for Vesta Pallas software for the E-911 Department. The fiscal year 2013 equipment lease carries an interest rate of 1.78% over a five-year term and the fiscal year 2014 lease for the E-911 Software is for four years at 0% interest. During fiscal year 2015, 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 2.95% 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. A second phase of the Energy Performance Contract was entered in fiscal year 2016 with a fifteen-year term, an interest rate of 2.77% and a total amount of $1,259,830.

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

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

The Primary Government's outstanding debt at June 30, 2016 is as follows:

General Obligation Bonds:		
Series 2001	$	10,370,000
Series 2005		255,003
School Bond Series 2005D		7,213,648
General Obligation Bond Premiums		2,682,353
Virginia Public School Authority Bonds (VPSA):		
Series 2000 B		800,000
Series 2002		740,000
Series 2007 B		3,120,000
Series 2009 B		21,370,000
Lease Revenue Bonds:		
Series 2007		25,410,000
Series 2007 Discount		(510,000)
Capital Leases		998,813
Landfill Closure and Post-closure Care Liability		2,335,000
Net OPEB Obligation		1,130,984
Compensated Absences		887,624
Grand Total	$	76,803,425

The Component Unit School Board's outstanding debt at June 30, 2016 is as follows:

Capital Leases	$	7,147,153
Net OPEB Obligation		2,722,910
Compensated Absences		703,672
Grand Total	$	10,573,735

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

Requests for Information

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

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 1

STATEMENT OF NET POSITION
June 30, 2016

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Totals	School Board	EDA
ASSETS					
Cash and cash equivalents	$ 28,053,675	$ 3,384,567	$ 31,438,242	$ 5,481,936	$ 1,054,687
Receivables, net:					
Taxes receivable	2,456,036	-	2,456,036	-	-
Accounts receivable	1,454,439	74,016	1,528,455	237,742	-
Due from other governments	1,168,407	822	1,169,229	1,923,486	-
Due from primary government	-	-	-	-	73,787
Internal balances	4,780	(4,780)	-	-	-
Inventory	-	35,770	35,770	-	-
Prepaid items	15,000	-	15,000	-	-
Notes receivable	17,385,000	-	17,385,000	-	-
Restricted cash	-	-	-	1,265,068	-
Net pension asset	-	-	-	190,663	-
Capital assets:					
Land	1,028,445	1,829,903	2,858,348	1,855,343	217,972
Easements	41,990	-	41,990	-	-
Buildings and improvements	20,346,423	11,767,385	32,113,808	143,650,757	-
School buildings and improvements	45,232,173	-	45,232,173	(45,232,173)	-
Landfill development costs	-	3,349,705	3,349,705	-	-
Furniture, equipment and vehicle	10,331,179	1,196,464	11,527,643	14,949,377	-
Construction in progress	213,478	507,926	721,404	858,616	358,564
Less accumulated depreciation and amortization	(19,429,359)	(4,871,742)	(24,301,101)	(62,693,703)	-
Total assets	108,301,666	17,270,036	125,571,702	62,487,112	1,705,010
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	306,288	-	306,288	-	-
Pension plan	1,075,835	42,501	1,118,336	5,215,840	-
Total deferred outflows of resources	1,382,123	42,501	1,424,624	5,215,840	-
LIABILITIES					
Accounts payable and accrued expenses	1,937,303	221,012	2,158,315	5,743,237	12,546
Due to component unit - EDA	73,787	-	73,787	-	-
Accrued interest payable	1,471,494	-	1,471,494	79,442	-
Unearned revenue	506,316	-	506,316	-	-
Insurance benefit claims	505,667	-	505,667	-	-
Long-term liabilities:					
Due within one year:					
Bonds payable	5,299,248	-	5,299,248	-	-
Capital leases	449,894	-	449,894	586,967	-
Compensated absences	632,713	7,195	639,908	186,303	-
Due in more than one year:					
Bonds payable, net	66,151,756	-	66,151,756	-	-
Capital leases	548,919	-	548,919	6,560,186	-
Compensated absences	210,904	36,812	247,716	517,369	-
Other postemployment benefits	1,077,254	53,730	1,130,984	2,722,910	-
Landfill obligation	-	2,335,000	2,335,000	-	-
Net pension liability	2,788,294	110,153	2,898,447	43,483,000	-
Total liabilities	81,653,549	2,763,902	84,417,451	59,879,414	12,546
DEFERRED INFLOWS OF RESOURCES					
Pension plan	1,471,501	58,132	1,529,633	3,860,504	-
Total deferred inflows of resources	1,471,501	58,132	1,529,633	3,860,504	-
NET POSITION					
Net investment in capital assets	3,005,800	13,779,641	16,785,441	46,241,064	576,536
Restricted	534,309	-	534,309	-	-
Unrestricted (deficit)	23,018,630	710,862	23,729,492	(42,278,030)	1,115,928
Total net position	$ 26,558,739	$ 14,490,503	$ 41,049,242	$ 3,963,034	$ 1,692,464

See Notes to Financial Statements.

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 2

STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

		Program Revenues			Net (Expense) Revenue and Changes in Net Position				
					Primary Government			Component Units	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals	School Board	EDA
Primary Government:									
Governmental activities:									
General government administration	$ 3,697,143	$ 918,897	$ 285,893	$ -	$ (2,492,353)	$ -	$ (2,492,353)	$ -	$ -
Judicial administration	1,650,036	349,355	503,303	-	(797,378)	-	(797,378)	-	-
Public safety	11,957,728	1,580,451	1,674,769	88,320	(8,614,188)	-	(8,614,188)	-	-
Public works	878,661	-	-	-	(878,661)	-	(878,661)	-	-
Health and welfare	6,060,296	27,950	3,490,786	-	(2,541,560)	-	(2,541,560)	-	-
Education	26,187,147	346,051	-	-	(25,841,096)	-	(25,841,096)	-	-
Parks, recreation and cultural	1,285,193	122,294	150,885	-	(1,012,014)	-	(1,012,014)	-	-
Community development	1,432,001	344,197	395,000	-	(692,804)	-	(692,804)	-	-
Interest	3,139,207	-	-	-	(3,139,207)	-	(3,139,207)	-	-
Total governmental activities	56,287,412	3,689,195	6,500,636	88,320	(46,009,261)	-	(46,009,261)	-	-
Business-type activities:									
Airport	777,557	306,299	-	30,865	-	(440,393)	(440,393)	-	-
Landfill	2,410,358	386,607	9,207	-	-	(2,014,544)	(2,014,544)	-	-
Total business-type activities	3,187,915	692,906	9,207	30,865	-	(2,454,937)	(2,454,937)	-	-
Total primary government	$ 59,475,327	$ 4,382,101	$ 6,509,843	$ 119,185	(46,009,261)	(2,454,937)	(48,464,198)	-	-
Component Units:									
School Board	$ 49,909,608	$ 1,091,728	$ 31,870,371	$ -	-	-	-	(16,947,509)	-
Economic Development Authority	377,628	11,375	109,602	380,446	-	-	-	-	123,795
Total component units	$ 50,287,236	$ 1,103,103	$ 31,979,973	$ 380,446	-	-	-	(16,947,509)	123,795

General Revenues:					
Taxes:					
General property taxes	39,853,041	-	39,853,041	-	-
Other local taxes:					
Local sales and use	2,795,044	-	2,795,044	-	-
Consumer utility tax	573,344	-	573,344	-	-
Consumption taxes	94,162	-	94,162	-	-
Motor vehicle licenses	1,002,943	-	1,002,943	-	-
Taxes on recordation and wills	450,282	-	450,282	-	-
Restaurant food taxes	769,294	-	769,294	-	-
Other taxes	204,363	-	204,363	-	-
Grants and contributions not restricted to specific programs	-	-	-	21,512,600	-
Intergovernmental, non-categorical aid	4,265,161	-	4,265,161	-	-
Use of money and property	203,645	-	203,645	233	4,787
Miscellaneous	558,478	7,771	566,249	870,823	-
Transfers	(2,114,011)	2,114,011	-	-	-
Total general revenues and transfers	48,655,746	2,121,782	50,777,528	22,383,656	4,787
Change in net position	2,646,485	(333,155)	2,313,330	5,436,147	128,582
Net position, beginning, as restated	23,912,254	14,823,658	38,735,912	(1,473,113)	1,563,882
Net position, ending	$ 26,558,739	$ 14,490,503	$ 41,049,242	$ 3,963,034	$ 1,692,464

See Notes to Financial Statements.

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 3

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

	General	Virginia Public Assistance	Debt Service	Capital Projects	Other Governmental Funds	Total
ASSETS						
Cash and cash equivalents	$ 22,603,206	$ 79,715	$ -	$ 3,561,515	$ 68,943	$ 26,313,379
Receivables, net:						
Taxes	2,456,036	-	-	-	-	2,456,036
Accounts receivable	1,454,439	-	-	-	-	1,454,439
Due from other governments	938,671	207,942	-	21,794	-	1,168,407
Note receivable	17,385,000	-	-	-	-	17,385,000
Prepaid items	15,000	-	-	-	-	15,000
Total assets	$ 44,852,352	$ 287,657	$ -	$ 3,583,309	$ 68,943	$ 48,792,261
LIABILITIES						
Accounts payable and accrued expenditures	$ 1,531,072	$ 141,879	$ -	$ 230,614	$ 7,942	$ 1,911,507
Due to other funds	97,941	14,240	-	-	-	112,181
Due to component unit	73,787	-	-	-	-	73,787
Unearned revenue	506,316	-	-	-	-	506,316
Total liabilities	2,209,116	156,119	-	230,614	7,942	2,603,791
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	19,612,401	-	-	-	-	19,612,401
Total deferred inflows of resources	19,612,401	-	-	-	-	19,612,401
FUND BALANCES						
Nonspendable	15,000	-	-	-	-	15,000
Restricted	379,309	-	-	155,000	-	534,309
Committed	71,125	131,538	-	409,748	61,001	673,412
Assigned	412,102	-	-	2,787,947	-	3,200,049
Unassigned	22,153,299	-	-	-	-	22,153,299
Total fund balances	23,030,835	131,538	-	3,352,695	61,001	26,576,069
Total liabilities, deferred inflows of resources and fund balances	$ 44,852,352	$ 287,657	$ -	$ 3,583,309	$ 68,943	$ 48,792,261

See Notes to Financial Statements.

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 4

RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2016

		Governmental Funds
Total fund balances - total governmental funds		$ 26,576,069
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.		
Governmental capital assets	$ 77,193,688	
Less accumulated depreciation and amortization	(19,429,359)	
Net capital assets		57,764,329
Deferred outflows of resources represent a consumption of net position that applies to a future period and, therefore, are not recognized as expenditures in the governmental funds until then.		1,075,835
Unearned revenue represents amounts that were not available to fund current expenditures and, therefore, is not reported as revenue in the governmental funds.		19,612,401
Internal service funds are used by management to charge the costs of goods provided to other departments or funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.		1,325,794
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds payable, including unamortized premiums and discounts	(71,451,004)	
Capital leases	(998,813)	
Compensated absences	(843,617)	
Interest payable	(1,471,494)	
Deferred charge on refunding	306,288	
Net pension liability	(2,788,294)	
Other postemployment benefits	(1,077,254)	
		(78,324,188)
Deferred inflows of resources represent an acquisition of net position that applies to a future period and, therefore, are not recognized as revenue in the governmental funds.		(1,471,501)
Net position of governmental activities		$ 26,558,739

See Notes to Financial Statements.

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 5

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2016

	General	Virginia Public Assistance	Debt Service	Capital Projects	Other Governmental Funds	Total
Revenues:						
General property taxes	$ 40,315,480	$ -	$ -	$ -	$ -	$ 40,315,480
Other local taxes	5,889,432	-	-	-	-	5,889,432
Permits, privilege fees and regulatory licenses	359,171	-	-	-	-	359,171
Fines and forfeitures	219,125	-	-	-	-	219,125
Use of money and property	203,567	-	-	-	78	203,645
Charges for services	1,985,794	-	-	-	6,010	1,991,804
Miscellaneous	557,947	-	-	-	-	557,947
Recovered costs	1,602,324	-	-	-	-	1,602,324
Intergovernmental:						
Commonwealth	8,300,915	940,409	-	88,320	13,981	9,343,625
Federal	23,488	1,485,672	-	-	1,332	1,510,492
Total revenues	59,457,243	2,426,081	-	88,320	21,401	61,993,045
Expenditures:						
Current:						
General government administration	2,944,001	-	-	-	-	2,944,001
Judicial administration	1,734,695	-	-	-	9,570	1,744,265
Public safety	11,225,158	-	-	-	2,212	11,227,370
Public works	813,924	-	-	-	-	813,924
Health and welfare	3,151,713	3,152,007	-	-	-	6,303,720
Education	20,458,307	-	-	1,054,293	-	21,512,600
Parks, recreation and cultural	1,295,954	-	-	-	-	1,295,954
Community development	1,440,771	-	-	-	-	1,440,771
Nondepartmental	82,990	-	-	-	-	82,990
Capital outlay	-	-	-	1,690,138	-	1,690,138
Debt service:						
Principal	-	-	5,618,697	-	-	5,618,697
Interest and fiscal charges	-	-	3,438,826	-	-	3,438,826
Total expenditures	43,147,513	3,152,007	9,057,523	2,744,431	11,782	58,113,256
Revenues over (under) expenditures	16,309,730	(725,926)	(9,057,523)	(2,656,111)	9,619	3,879,789
Other financing sources (uses):						
Transfers in	27,732	837,957	9,043,471	3,723,177	-	13,632,337
Transfers out	(15,584,920)	(134,074)	-	(26,000)	(1,354)	(15,746,348)
Other financing sources (uses), net	(15,557,188)	703,883	9,043,471	3,697,177	(1,354)	(2,114,011)
Net change in fund balances	752,542	(22,043)	(14,052)	1,041,066	8,265	1,765,778
Fund balance, beginning	22,278,293	153,581	14,052	2,311,629	52,736	24,810,291
Fund balance, ending	$ 23,030,835	$ 131,538	$ -	$ 3,352,695	$ 61,001	$ 26,576,069

See Notes to Financial Statements.

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 6

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

		Governmental Funds
Net change in fund balances - total governmental funds		$ 1,765,778
Reconciliation of amounts reported for governmental activities in the Statement of Activities:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which depreciation and amortization exceeded capital outlays in the current period.		
Expenditures for capital assets	$ 1,271,754	
Less depreciation and amortization expense	(1,334,014)	
Excess of depreciation and amortization over capital outlays		(62,260)
Transfer of joint tenancy assets from Primary Government to the School Board Component Unit		
Transfer of capital assets to component unit	(4,396,602)	
Transfer of depreciation to component unit	(277,945)	
		(4,674,547)
The net effect of miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) is to decrease net position.		
Capital contributions	27,290	
Loss on disposals	(127,308)	
Transfer of assets to Economic Development Authority	(23,972)	
		(123,990)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Unearned revenue		(945,137)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Principal repayments:		
General obligation debt	4,284,363	
Lease revenue bonds	895,000	
Capital lease	439,334	
		5,618,697
Deferred outflows of resources - pension contributions		1,075,835
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Accrued interest	127,467	
Compensated absences	135,912	
Other postemployment benefits	(118,855)	
Amortization of deferred charge on refunding	(17,016)	
Amortization of premium	217,501	
Amortization of discounts	(28,333)	
Pension expense	(340,998)	
		(24,322)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net income of the internal service funds are reported with governmental activities.		
Total revenues	7,267,879	
Total expenses	(7,251,448)	
		16,431
Change in net position of governmental activities		$ 2,646,485

See Notes to Financial Statements.

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 7

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2016

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Airport	Landfill	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	$ 865,569	$ 2,518,998	$ 3,384,567	$ 1,740,296
Receivables, net	380	73,636	74,016	-
Due from other governments	822	-	822	-
Due from other funds	-	-	-	116,961
Inventory	35,770	-	35,770	-
Total current assets	902,541	2,592,634	3,495,175	1,857,257
Noncurrent assets:				
Capital assets:				
Land	1,764,247	65,656	1,829,903	-
Buildings and improvements	11,694,683	72,702	11,767,385	-
Landfill development costs	-	3,349,705	3,349,705	-
Furniture, equipment and vehicles	64,873	1,131,591	1,196,464	-
Construction in progress	507,926	-	507,926	-
Less accumulated depreciation and amortization	(3,027,383)	(1,844,359)	(4,871,742)	-
Total capital assets, net of accumulated depreciation and amortization	11,004,346	2,775,295	13,779,641	-
Total noncurrent assets	11,004,346	2,775,295	13,779,641	-
Total assets	11,906,887	5,367,929	17,274,816	1,857,257
DEFERRED OUTFLOWS OF RESOURCES				
Pension plan	7,074	35,427	42,501	-
Total deferred outflows of resources	7,074	35,427	42,501	-
LIABILITIES				
Current liabilities:				
Accounts payable	26,014	137,050	163,064	25,796
Compensated absences	1,286	5,909	7,195	-
Accrued payroll	8,045	49,903	57,948	-
Due to other funds	483	4,297	4,780	-
Insurance and benefit claims	-	-	-	505,667
Total current liabilities	35,828	197,159	232,987	531,463
Noncurrent liabilities:				
Compensated absences	6,576	30,236	36,812	-
Other postemployment benefits	5,870	47,860	53,730	-
Net pension liability	18,335	91,818	110,153	-
Landfill obligation	-	2,335,000	2,335,000	-
Total noncurrent liabilities	30,781	2,504,914	2,535,695	-
Total liabilities	66,609	2,702,073	2,768,682	531,463
DEFERRED INFLOWS OF RESOURCES				
Pension plan	9,676	48,456	58,132	-
Total deferred outflows of resources	9,676	48,456	58,132	-
NET POSITION				
Net investment in capital assets	11,004,346	2,775,295	13,779,641	-
Unrestricted (deficit)	833,330	(122,468)	710,862	1,325,794
Total net position	$ 11,837,676	$ 2,652,827	$ 14,490,503	$ 1,325,794

See Notes to Financial Statements.

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 8

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2016

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Airport	Landfill	Totals	
Operating revenues:				
Charges for services	$ 306,299	$ 386,607	$ 692,906	$ 7,267,879
Total operating revenues	306,299	386,607	692,906	7,267,879
Operating expenses:				
Personal services	101,345	650,949	752,294	-
Fringe benefits	15,618	128,881	144,499	-
Contractual services	46,372	864,000	910,372	-
Other charges	225,378	555,511	780,889	-
Insurance claims and other expenses	-	-	-	7,251,448
Depreciation and amortization	388,844	211,017	599,861	-
Total operating expenses	777,557	2,410,358	3,187,915	7,251,448
Operating income (loss)	(471,258)	(2,023,751)	(2,495,009)	16,431
Nonoperating revenues:				
Intergovernmental	30,865	9,207	40,072	-
Miscellaneous	1,229	6,542	7,771	-
Total nonoperating revenues	32,094	15,749	47,843	-
Income (loss) before transfers	(439,164)	(2,008,002)	(2,447,166)	16,431
Transfers in	98,250	2,015,761	2,114,011	-
Change in net position	(340,914)	7,759	(333,155)	16,431
Total net position, beginning	12,178,590	2,645,068	14,823,658	1,309,363
Total net position, ending	$ 11,837,676	$ 2,652,827	$ 14,490,503	$ 1,325,794

See Notes to Financial Statements.

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 9

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2016

Page 1

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Airport	Landfill	Totals	
Cash flows from operating activities:				
Receipts from customers	$ 308,494	$ 348,391	$ 656,885	$ 7,267,879
Payments to suppliers for goods and services	(291,566)	(1,371,817)	(1,663,383)	(7,359,401)
Payments to employees for services	(119,191)	(802,577)	(921,768)	-
Net cash used in operating activities	(102,263)	(1,826,003)	(1,928,266)	(91,522)
Cash flows from noncapital financing activities:				
Noncapital grant	1,229	15,749	16,978	-
Transfers from other funds	98,733	2,020,058	2,118,791	-
Net cash provided by noncapital financing activities	99,962	2,035,807	2,135,769	-
Cash flows from capital and related financing activities:				
Capital construction grants	162,491	-	162,491	-
Acquisition and construction of capital assets	(34,481)	(10,000)	(44,481)	-
Net cash provided by (used in) capital and related financing activities	128,010	(10,000)	118,010	-
Net change in cash and cash equivalents	125,709	199,804	325,513	(91,522)
Cash and cash equivalents:				
Beginning	739,860	2,319,194	3,059,054	1,831,818
Ending	$ 865,569	$ 2,518,998	$ 3,384,567	$ 1,740,296

See Notes to Financial Statements.

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 9

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2016

Page 2

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Airport	Landfill	Totals	
Reconciliation of operating income (loss) to net cash used in operating activities:				
Operating income (loss)	$ (471,258)	$ (2,023,751)	$ (2,495,009)	$ 16,431
Adjustments to reconcile operating income (loss) to net cash used in operating activities:				
Depreciation and amortization	388,844	211,017	599,861	-
Loss on disposal	12,854	-	12,854	-
Pension expense (benefit)	(145)	1,228	1,083	-
Changes in assets and liabilities:				
Decrease (increase) in:				
Accounts receivable	2,195	(38,216)	(36,021)	-
Deferred outflows of resources	(5,717)	(22,751)	(28,468)	-
Due from other funds	-	-	-	(116,961)
Inventory	(11,524)	-	(11,524)	-
Increase (decrease) in:				
Accounts payable	(12,376)	(77,306)	(89,682)	9,008
Accrued liabilities	(5,136)	(1,224)	(6,360)	-
Landfill obligation	-	125,000	125,000	-
Net cash used in operating activities	$ (102,263)	$ (1,826,003)	$ (1,928,266)	$ (91,522)

See Notes to Financial Statements.

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 10

STATEMENT OF NET POSITION
FIDUCIARY FUNDS
June 30, 2016

	Agency Funds
ASSETS	
Cash, cash equivalents and temporary cash investments	$ 585,394
Total assets	$ 585,394
LIABILITIES	
Accounts payable	$ 3,039
Amounts held for others	582,355
Total liabilities	$ 585,394

See Notes to Financial Statements.

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

B. Government-Wide and Fund Financial Statements

1. Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been eliminated from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely significantly on fees charged to external parties. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

2. Fund Financial Statements

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

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

2. Fund Financial Statements (Continued)

The County reports the following major proprietary funds:

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

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

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

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

Additionally, the County reports the following fund types:

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

1. 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.

Cash of individual funds is combined to form a pool of cash and investments. The pool consists primarily of demand deposits and external local government investment pools. The government and corporate securities are stated at fair value based on quoted market prices (level 1 inputs) and the investment in the local government investment pool (a 2a7-like pool) is reported at the pool's share price. Interest earned as a result of pooling is distributed to the appropriate funds utilizing a formula based on average monthly balances.

2. Restricted Cash

A portion of the School Board Component Unit’s School Capital Projects Fund cash balance is restricted in accordance with capital lease agreements.

3. Interfund Receivables and Payables

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

4. Prepaid Items

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

5. Inventories

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

6. Taxes Receivable

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

7. Note Receivable

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

	Governmental Activities	
Year(s) Ending June 30,	Principal	Interest
2017	$ 645,000	$ 774,744
2018	675,000	744,275
2019	705,000	714,950
2020	730,000	684,000
2021	770,000	649,744
2022-2026	4,395,000	2,662,388
2027-2031	5,520,000	1,531,753
2032-2034	3,945,000	271,238
	$ 17,385,000	$ 8,033,092

Note 1. Summary of Significant Accounting Policies (Continued)

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

8. Capital Assets

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

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

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

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

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

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

9. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County and discretely presented component unit, the School Board, have three items that qualify for reporting in this category. The first item is a deferred charge on refunding resulting from the difference in carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the life of the refunded or refunding debt. The two additional items are the employer's fiscal year 2016 Virginia Retirement System contributions plus the changes in proportion and differences between employer contributions and are reported in the government-wide Statement of Net Position for the County, School Board, the Airport Fund and Landfill Fund.

Note 1. Summary of Significant Accounting Policies (Continued)

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

9. Deferred Outflows and Inflows of Resources (Continued)

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Four types of items qualify for reporting in this category. Accordingly, one item, unavailable revenue, which arises under the modified accrual basis of accounting, is reported only in the governmental funds Balance Sheet. The governmental funds report unavailable revenue from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The three additional items, the net difference between projected and actual earnings on the Virginia Retirement System's plan investments plus the difference between expected and actual experience plus the changes in proportion and differences between employer contributions and proportionate share of contributions, are reported in the government-wide Statement of Net Position for the County, School Board, the Airport Fund and Landfill Fund.

10. 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 available period.

11. 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.

Note 1. Summary of Significant Accounting Policies (Continued)

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

12. Long-term Obligations

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

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

13. Pensions

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

14. Fund Net Position

a. Fund Balances

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

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

- *Restricted* – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Note 1. Summary of Significant Accounting Policies (Continued)

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

14. Fund Net Position (Continued)

a. Fund Balances (Continued)

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

b. Restricted Amounts

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

c. Minimum Fund Balance Policy

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

14. Fund Net Position (Continued)

d. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Encumbrances outstanding at year end total $14,726 in the General Fund and $122,807 in the County Capital Projects Fund. These amounts are reported as assigned fund balance since they do not constitute expenditures or liabilities.

e. Net Position

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

f. Use of Estimates

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

E. Subsequent Events

The County has evaluated subsequent events through February 17, 2017, the date on which the financial statements were available to be issued.

Note 2. Stewardship, Compliance, and Accountability

Budgetary Information

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

1. Prior to April 1, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing July 1. The operating and capital budget includes proposed expenditures and the means of financing them. The following funds have legally adopted budgets: General Fund, Virginia Public Assistance Fund, Law Library Fund, 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 Funds). The School Funds are integrated only at the level of legal adoption.

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

7. Appropriations lapse on June 30.

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

Note 3. Deposits and Investments

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

Note 3. Deposits and Investments (Continued)

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

External Investment Pools: 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 Securities and Exchange Commission (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	$ 17,553,084
Certificate of Deposits	515,030
Cash on hand	7,191
Total Deposits	18,075,305
Investments:	
LGIP	16,051,361
VML/VACO Investment Pool	5,113,267
Total Investments	21,164,628
Total deposits and investments	$ 39,239,933

Total deposits and investment is composed as follows:

Deposits and investments:	
Cash and cash equivalents:	
Primary Government	$ 31,438,242
Component Unit - School Board	6,747,004
Component Unit - EDA	1,054,687
Total deposits and investments	$ 39,239,933

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

Note 3. Deposits and Investments (Continued)

Credit Risk: Although the County does not have a formal policy addressing credit risk, the County adheres to the State guidelines. As required by the Code of Virginia, obligations of the Commonwealth of Virginia and its political subdivisions must have a debt rating of at least AA by Standard & Poor's (S&P) or Aa by Moody's Investors Service (Moody's). Repurchase agreements are collateralized by Treasury or Agency obligations of which the market value is at least 102% of the purchase price of the agreement. Commercial paper must be issued by an entity incorporated in the U.S. and rates at least A-1 by S&P or P-1 by Moody's. Corporate notes and bonds have a rating of at least AA by S&P or Aa by Moody's. 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 rates AAAm by S&P.

The County's rated debt investments as of June 30, 2016 are presented in the following table using the Standard & Poor's rating scale.

Rated Debt Investment	Fair Quality Ratings
	AAAm
Local Government Investment Pool	$ 16,051,361
VML/VACO Investment Pool	5,113,267

Concentration of Credit Risk: Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. If certain investments in any one issuer represent 5% of total investments, there must be a disclosure for the amount and issuer. Concentration of credit risk does not apply to the local government investment pool.

Interest Rate Risk: The County does not have policies related to interest rate risk. Interest rate risk does not apply to the local government investment pool since it is a 2a7-like pool.

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

The County has the following recurring fair value measurement as of June 30, 2016:

- Certificate of Deposits of $515,030 is valued using quoted market prices (Level 1 inputs).

Note 4. Receivables

Receivables consist of the following:

	Governmental Activities	Business-Type Activities	Total Primary Government	Component Unit - School Board
Receivables:				
Taxes	$ 2,916,080	$ -	$ 2,916,080	$ -
Less allowance for uncollectible accounts	(460,044)	-	(460,044)	-
Net taxes receivable	2,456,036	-	2,456,036	-
Accounts	1,829,370	74,016	1,903,386	237,742
Less allowance for uncollectible accounts	(374,931)	-	(374,931)	-
Net accounts receivable	1,454,439	74,016	1,528,455	237,742
Total receivables	$ 3,910,475	$ 74,016	$ 3,984,491	$ 237,742

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

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

Note 5. Unavailable and Unearned Revenue

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

	Unavailable	Unearned
Property taxes receivable, net of allowance	$ 1,859,053	$ -
Advance collection of 2016-2017 taxes	-	506,316
EMS transport fees	362,813	-
Long-term note receivable	17,385,000	-
Other	5,535	-
	$ 19,612,401	$ 506,316

Note 6. Due From Other Governmental Units

Amounts due from other governments consist of the following:

Primary Government:	
Governmental Funds:	
General Fund:	
Commonwealth of Virginia:	
Communications sales and use taxes	$ 226,277
Children's Services Act	436,187
Categorical aid:	
Shared costs:	
Commissioner of the Revenue	8,539
Commonwealth Attorney	19,573
Sheriff	108,741
Clerk of Circuit Court	22,652
Treasurer	11,733
Other	104,969
Total General Fund	938,671
Virginia Public Assistance Fund:	
Commonwealth of Virginia:	
Public assistance	85,393
Federal government:	
Public assistance	122,549
Total Virginia Public Assistance Fund	207,942
County Capital Projects Fund:	
Commonwealth of Virginia:	
Wireless E-911	21,794
Total County Capital Projects Fund	21,794
Total Primary Government - Governmental Funds	1,168,407
Total Primary Government	$ 1,168,407
Business-Type Activities:	
Airport Enterprise Fund:	
Commonwealth of Virginia:	
Aviation grant	$ 822
Total Airport Enterprise Fund	822
Total Business-Type Activities	$ 822

Note 6. Due From Other Governmental Units (Continued)

Component Unit - School Board:	
School Operating Fund:	
Commonwealth of Virginia:	
State sales tax receipts	$ 972,958
VPSA Technology	284,000
	1,256,958
Federal government:	
Education grants	486,578
Other	140,771
	627,349
Total School Operating Fund	1,884,307
Adult Education Fund:	
Federal government:	
Adult literacy services	30,134
Total Adult Education Fund	30,134
School Cafeteria Fund:	
Federal government:	
School food program	9,045
Total School Cafeteria Fund	9,045
Total Component Unit - School Board	$ 1,923,486

Note 7. Interfund Transfers

Interfund transfers consist of the following:

Fund	Transfer In	Transfer Out
Primary Government:		
Governmental Activities:		
General	$ 27,732	$ 15,584,920
Virginia Public Assistance	837,957	134,074
Debt Service	9,043,471	-
Capital Projects	3,723,177	26,000
Other Governmental Funds	-	1,354
Total Governmental Activities	13,632,337	15,746,348
Business-Type Activities:		
Airport	98,250	-
Landfill	2,015,761	-
Total Business-Type Activities	2,114,011	-
Total Primary Government	$ 15,746,348	$ 15,746,348
Component Unit - School Board:		
School Board:		
School Operating	$ -	$ 1,706,430
School Textbook Adoptions	436,302	-
Adult Education	5,060	-
School Capital Projects	1,265,068	-
Total Component Unit - School Board	$ 1,706,430	$ 1,706,430

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

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

Interfund and due to (from) primary government / component unit balances at June 30, 2016 are as follows:

Fund	Interfund Receivable	Interfund Payable	Due to Primary Government/ Component Unit	Due from Primary Government/ Component Unit
Primary Government:				
Governmental Funds:				
General	$ -	$ 97,941	$ 73,787	$ -
Virginia Public Assistance	-	14,240	-	-
Total Governmental Funds	-	112,181	73,787	-
Proprietary Funds:				
Airport	-	483	-	-
Landfill	-	4,297	-	-
Internal Service Fund	116,961	-	-	-
Total Proprietary Funds	116,961	4,780	-	-
Total Primary Government	$ 116,961	$ 116,961	$ 73,787	$ -
School Board Component Unit:				
School Operating	$ 24,288	$ -	$ -	$ -
Adult Education	-	7,511	-	-
Head Start	-	16,777	-	-
Total Component Unit - School Board	$ 24,288	$ 24,288	$ -	$ -
Economic Development Authority Component Unit	$ -	$ -	$ -	$ 73,787
Total Component Unit - Economic Development Authority	$ -	$ -	$ -	$ 73,787

The receivables and payables are due to (1) the Internal Service Fund initially paid for various health care expenses, (2) the School Operating Fund aided in funding the operations of various funds, and (3) the General Fund aided in funding the operations of the EDA.

Note 9. Capital Assets

Capital asset activity for the year consists of the following:

	Beginning Balance, as Restated	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets not being depreciated or amortized:					
Land	$ 1,052,417	$ -	$ (23,972)	$ -	$ 1,028,445
Easements	41,990	-	-	-	41,990
Construction in progress	617,323	389,878	(56,867)	(736,856)	213,478
Total capital assets not being depreciated or amortized	1,711,730	389,878	(80,839)	(736,856)	1,283,913
Capital assets being depreciated or amortized:					
Buildings and improvements	19,957,594	181,911	-	206,918	20,346,423
School buildings and improvements	49,628,775	-	(4,396,602)	-	45,232,173
Furniture, equipment and vehicle	9,369,518	727,255	(272,482)	506,888	10,331,179
Total capital assets being depreciated or amortized	78,955,887	909,166	(4,669,084)	713,806	75,909,775
Less accumulated depreciation and amortization:					
Buildings and improvements	(4,965,237)	(717,034)	-	-	(5,682,271)
School buildings and improvements	(6,354,119)	(277,945)	-	-	(6,632,064)
Furniture, equipment and vehicle	(6,723,135)	(616,980)	202,041	23,050	(7,115,024)
Total accumulated depreciation and amortization	(18,042,491)	(1,611,959)	202,041	23,050	(19,429,359)
Total capital assets being depreciated or amortized, net	60,913,396	(702,793)	(4,467,043)	736,856	56,480,416
Governmental activities capital assets, net	$ 62,625,126	$ (312,915)	$ (4,547,882)	$ -	$ 57,764,329

Note 9. Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities:					
Capital assets not being depreciated or amortized:					
Land	$ 1,829,903	$ -	$ -	$ -	$ 1,829,903
Construction in progress	605,016	34,481	(12,854)	(118,717)	507,926
Total capital assets not being depreciated or amortized	2,434,919	34,481	(12,854)	(118,717)	2,337,829
Capital assets being depreciated or amortized:					
Buildings and improvements	11,636,939	-	-	130,446	11,767,385
Landfill development costs	3,349,705	-	-	-	3,349,705
Furniture, equipment and vehicle	1,209,495	10,000	(34,352)	11,321	1,196,464
Total capital assets being depreciated or amortized	16,196,139	10,000	(34,352)	141,767	16,313,554
Less accumulated depreciation and amortization:					
Buildings and improvements	(2,550,181)	(389,955)	-	(41,597)	(2,981,733)
Landfill development costs	(684,343)	(129,943)	-	-	(814,286)
Furniture, equipment and vehicle	(1,048,659)	(79,963)	34,352	18,547	(1,075,723)
Total accumulated depreciation and amortization	(4,283,183)	(599,861)	34,352	(23,050)	(4,871,742)
Total capital assets being depreciated or amortized, net	11,912,956	(589,861)	-	118,717	11,441,812
Business-type activities capital assets, net	$ 14,347,875	$ (555,380)	$ (12,854)	$ -	$ 13,779,641

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

	Governmental Activities	Business-Type Activities	Total Primary Government
General government administration	$ 514,131	$ -	$ 514,131
Judicial administration	5,096	-	5,096
Public safety	683,642	-	683,642
Public works	64,688	-	64,688
Health and welfare	17,592	-	17,592
Education	277,945	-	277,945
Parks, recreation, and cultural	41,909	-	41,909
Community development	6,956	-	6,956
Airport	-	388,844	388,844
Landfill	-	211,017	211,017
Total depreciation expense, primary government	$ 1,611,959	$ 599,861	$ 2,211,820

Note 9. Capital Assets (Continued)

Discretely Presented Component Unit – School Board

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

	Beginning Balance, as Restated	Increases	Decreases	Transfers	Ending Balance
Component Unit - School Board:					
Capital assets not being depreciated or amortized:					
Land	$ 1,855,343	$ -	$ -	$ -	$ 1,855,343
Construction in progress	455,922	1,433,820	-	(1,031,126)	858,616
Total capital assets not being depreciated or amortized	2,311,265	1,433,820	-	(1,031,126)	2,713,959
Capital assets being depreciated or amortized:					
Buildings and improvements	142,934,489	-	-	716,268	143,650,757
Allocated to County	(49,628,775)	4,396,602	-	-	(45,232,173)
Furniture, equipment and vehicle	13,857,125	938,674	(161,280)	314,858	14,949,377
Total capital assets being depreciated or amortized	107,162,839	5,335,276	(161,280)	1,031,126	113,367,961
Less accumulated depreciation and amortization:					
Buildings and improvements	(56,544,163)	(2,698,891)	-	-	(59,243,054)
Allocated to County	6,354,119	277,945	-	-	6,632,064
Furniture, equipment and vehicle	(8,720,101)	(1,523,892)	161,280	-	(10,082,713)
Total accumulated depreciation and amortization	(58,910,145)	(3,944,838)	161,280	-	(62,693,703)
Total capital assets being depreciated or amortized, net	48,252,694	1,390,438	-	1,031,126	50,674,258
School Board capital assets, net	$ 50,563,959	$ 2,824,258	$ -	$ -	$ 53,388,217

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.

Discretely Presented Component Unit – EDA

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

	Beginning Balance, as Restated	Increases	Decreases	Transfers	Ending Balance
Component Unit - EDA:					
Capital assets not being depreciated:					
Land	$ 194,000	$ 23,972	$ -	$ -	$ 217,972
Construction in progress	2,090	356,474	-	-	358,564
EDA capital assets, net	$ 196,090	$ 380,446	$ -	$ -	$ 576,536

Note 10. Long-Term Liabilities

Changes in long-term liabilities consist of the following:

	Beginning Balance, as Restated	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	$ 48,153,014	$ -	$ 4,284,363	$ 43,868,651	$ 4,359,248
Premium on bonds	2,899,854	-	217,501	2,682,353	-
	51,052,868	-	4,501,864	46,551,004	4,359,248
Lease revenue/refunding bonds	26,305,000	-	895,000	25,410,000	940,000
Discount on bonds	(538,333)	-	28,333	(510,000)	-
	25,766,667	-	923,333	24,900,000	940,000
Bonds payable, net	76,819,535	-	5,425,197	71,451,004	5,299,248
Capital leases	1,438,147	-	439,334	998,813	449,894
Other postemployment benefits	958,399	118,855	-	1,077,254	-
Compensated absences	979,529	1,477,635	1,613,547	843,617	632,713
	3,376,075	1,596,490	2,052,881	2,919,684	1,082,607
	$ 80,195,610	$ 1,596,490	$ 7,478,078	$ 74,370,688	$ 6,381,855
Business-type activities:					
Compensated absences	$ 46,738	$ 71,176	$ 73,907	$ 44,007	$ 7,195
Other postemployment benefits	47,774	5,956	-	53,730	-
Landfill obligation	2,210,000	125,000	-	2,335,000	-
	$ 2,304,512	$ 202,132	$ 73,907	$ 2,432,737	$ 7,195

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

Discretely Presented Component Unit – School Board

	Beginning Balance, as Restated	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences	$ 798,120	$ 351,664	$ 446,112	$ 703,672	$ 186,303
Other postemployment benefits	2,523,599	199,311	-	2,722,910	-
Capital leases	6,391,014	1,259,830	503,691	7,147,153	586,967
	$ 9,712,733	$ 1,810,805	$ 949,803	$ 10,573,735	$ 773,270

Note 10. Long-Term Liabilities (Continued)

Details of long-term obligations are as follows:

General Obligation Bonds:

County:	
$1,279,119 general obligation bond for Industrial Park improvements, issued December 2005, due in annual installments of $125,162 to $129,841 through July 2017, plus semi-annual interest at 3.87%.	$ 255,003
School:	
$2,830,000 VPSA general obligation bond, issued November 2000, due in annual installments of $145,000 to $175,000 through July 2020, plus semi-annual interest at 5.10%.	800,000
$25,000,000 school improvement general obligation bond, issued May 2001, due in annual installments of $1,515,000 to $1,955,000 through July 2021, plus semi-annual interest at 5.10%. The bond was issued at a premium of $304,286 which will be amortized over the life of the bond.	10,370,000
$1,615,000 VPSA general obligation bond, issued November 2002, due in annual installments of $90,000 to $125,000 through July 2023, plus semi-annual interest at 4.60% to 5.10%. The bond was issued at a premium of $60,150 which will be amortized over the life of the bond.	740,000
$13,935,316 school improvement general obligation bond, issued November 2005, due in annual installments of $694,086 to $747,800 through July 2025, plus semi-annual interest at 4.00 to 5.10%. The bond was issued at a premium of $1,064,684 which will be amortized over the life of the bond.	7,213,648
$5,220,000 VPSA general obligation bond, issued November 2007, due in annual installments of $260,000 through July 2027, plus semi-annual interest at 4.35% to 5.10%. The bond was issued at a premium of $280,267 which will be amortized over the life of the bond.	3,120,000
$30,550,000 VPSA general obligation bond, issued November 2009, due in annual installments of $1,525,000 to $1,530,000 through July 2029, plus semi-annual interest at 4.05% to 5.05%. The bond was issued at a premium of $2,700,808 which will be amortized over the life of the bond.	21,370,000
Total General Obligation Bonds	$ 43,868,651

Note 10. Long-Term Liabilities (Continued)

Lease Revenue and Refunding Bond:

$31,235,000 lease revenue and refunding bonds for the courthouse and assisted living facility, issued September 2007, due in annual installments of $940,000 to $2,005,000 through June 2034, plus interest payable annually at 4.25% to 5.00%. The bond was issued at a discount of $765,000 which will be amortized over the life of the bond.	$ 25,410,000
Total Lease Revenue and Refunding Bond	$ 25,410,000

Capital Leases:

$1,644,968 capital lease obligation (payable from the General Fund), issued March 2008, secured by vehicles, annual maturity from $184,282 to $190,860 through February 2018, plus semi-annual interest at 3.57%.	$ 375,142
$747,000 capital lease obligation (payable from the General Fund), issued September 2012, secured by equipment, semi-annual maturity from $76,348 to $77,713 through September 2017, plus semi-annual interest at 1.78%.	231,091
$56,207 capital lease obligation (payable from the General Fund), issued July 2013, secured by equipment, annual maturity of $14,052 through July 2018, with no interest due.	42,155
$494,870 capital lease obligation (payable from the General Fund), issued December 2014, secured by vehicles, semi-annual maturity from $48,901 to $51,235 through December 2019, plus semi-annual interest at 1.56%.	350,425
Total Capital Leases	$ 998,813

Note 10. Long-Term Liabilities (Continued)

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

Year(s) Ending June 30,	Governmental Activities					
	General Obligation Bonds		Lease Revenue and Refunding Bond		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	$ 4,359,248	$ 2,045,169	$ 940,000	$ 1,155,931	$ 449,894	$ 21,912
2018	4,459,467	1,827,065	985,000	1,108,931	382,348	11,053
2019	4,435,456	1,601,768	1,030,000	1,067,069	115,335	1,986
2020	4,541,590	1,381,268	1,070,000	1,023,294	51,236	400
2021	4,648,046	1,155,621	1,125,000	976,481	-	-
2022-2026	14,804,844	3,126,754	6,430,000	4,040,931	-	-
2027-2031	6,620,000	592,104	8,065,000	2,420,363	-	-
2032-2034	-	-	5,765,000	526,275	-	-
	$ 43,868,651	$ 11,729,749	$ 25,410,000	$ 12,319,275	$ 998,813	$ 35,351

The assets acquired through capital leases are as follows:

	Governmental Activities
Vehicles - Pierce fire trucks	$ 1,644,939
Equipment - financial software and other equipment	803,207
Ambulances	737,805
	3,185,951
Less accumulated depreciation or amortization	(1,964,684)
	$ 1,221,267

Note 10. Long-Term Liabilities (Continued)

Capital Leases – School Board:

$1,152,889 capital lease obligation, issued February 2012, secured by equipment, annual maturity of $223,980 through August 2016, plus annual interest at 2.95%.	$ 223,980
$6,198,242 capital lease obligation, issued March 2013, secured by equipment, semi-annual maturity from $152,432 to $317,940 through September 2028, plus semi-annual interest at 2.59%.	5,663,343
$1,259,830 capital lease obligation, issued July 2015, secured by equipment, semi-annual maturity from $19,217 to $62,142 through January 2031, plus semi-annual interest at 2.77%.	1,259,830
	$ 7,147,153

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

	Capital Leases	
Year(s) Ending June 30,	Principal	Interest
2017	$ 586,967	$ 203,385
2018	385,445	169,570
2019	412,255	159,311
2020	440,271	148,341
2021	469,542	136,630
2022-2026	2,809,044	480,651
2027-2031	2,043,629	102,812
	$ 7,147,153	$ 1,400,700

Assets acquired through capital leases are as follows:

	Governmental Activities
Phone system	$ 1,152,889
Energy performance contract - phase 1	6,191,956
Energy performance contract - phase 2	649,920
	7,994,765
Less accumulated depreciation	(1,457,522)
	$ 6,537,243

Note 11. Pension Plan

Name of Plan: Virginia Retirement System (VRS)

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

Administering Entity: Virginia Retirement System (System)

A. Plan Description

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

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

Plan 1	Plan 2	Hybrid Retirement Plan
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. 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 11. Pension Plan (Continued)

A. Plan Description (Continued)

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

Note 11. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution, but all employees will be paying the full 5% 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.	**Retirement Contributions** Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016.	**Retirement Contributions** A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.
Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	**Creditable Service** Same as Plan 1.	**Creditable Service** **Defined Benefit Component** Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. **Defined Contribution Component** Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

Note 11. Pension Plan (Continued)

A. Plan Description (Continued)

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

Note 11. Pension Plan (Continued)

A. Plan Description (Continued)

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

Note 11. Pension Plan (Continued)

A. Plan Description (Continued)

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

Note 11. Pension Plan (Continued)

A. Plan Description (Continued)

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

Note 11. Pension Plan (Continued)

A. Plan Description (Continued)

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

Note 11. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
Disability Coverage **Political subdivision employees:** Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	**Disability Coverage** **Political subdivision employees:** Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service regardless of when it was earned, purchased or granted. Virginia Sickness and Disability Program (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 and school divisions (teachers), including Plan 1 and Plan 2 opt-ins, participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. 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% 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 11. Pension Plan (Continued)

A. Plan Description (Continued)

County (Agent Plan)

Employees Covered by Benefit Terms

As of the June 30, 2014 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	104
Inactive members:	
Vested inactive members	43
Non-vested inactive members	74
Inactive members active elsewhere in VRS	85
Total inactive members	202
Active members	192
Total covered employees	498

Contributions

The contribution requirement for active employees is governed by Section 51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% 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 County's contractually required contribution rate for the year ended June 30, 2016 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 an employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were $1,118,336 and $1,034,535 for the years ended June 30, 2016 and 2015, respectively.

Note 11. Pension Plan (Continued)

A. Plan Description (Continued)

School Board Non-Professional (Agent Plan)

Employees Covered by Benefit Terms

As of the June 30, 2014 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	76
Inactive members:	
Vested	21
Non-vested	72
Active elsewhere in VRS	30
Total inactive members	123
Active members	160
Total covered employees	359

Contributions

The contribution requirement for active employees is governed by Section 51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% 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 School Board non-professional's contractually required contribution rate for the year ended June 30, 2016 was 6.80% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2014.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by an employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School Board for the non-professional plan were $212,649 and $202,149 for the years ended June 30, 2016 and 2015, respectively.

Note 11. Pension Plan (Continued)

A. Plan Description (Continued)

School Board Professional (Cost-Sharing Plan)

Contributions

The contribution requirement for active employees is governed by Section 51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% 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 School Board Professional's contractually required contribution rate for the year ended June 30, 2016 was 14.06% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013, adjusted for the transfer in June 2015 of $192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 18.20%; however, it was reduced to 17.64% as a result of the transfer. The actuarial 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 the costs of any unfunded accrued liability. Based on the provision of Section 51.1-145 of the *Code of Virginia*, as amended, the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2016. Contributions to the pension plan from the School Board for the professional plan were $3,659,664 and $3,712,000 for the years ended June 30, 2016 and 2015, respectively.

B. Net Pension Liability (Asset)

The County and the School Board's non-professional plan net pension liability (asset) were measured as of June 30, 2015. The total pension liabilities used to calculate the net pension liability (asset) were determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

At June 30, 2016, the School Board reported a liability for the professional plan of $43,483,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School Board's proportion of the net pension liability was based on the School Board's actuarially determined employer contributions to the pension plan for the year ended June 30, 2015 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2015, the School Board's proportion was 0.34548% as compared to 0.33419% at June 30, 2014.

Note 11. Pension Plan (Continued)

B. Net Pension Liability (Asset) (Continued)

Actuarial Assumptions – General Employees

The total pension liability for General Employee's in the County's retirement plan and the total pension liability for the General Employees in the School Board non-professional retirement plan were based on an actuarial valuation as of June 30, 2014, 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, 2015.

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

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

Mortality Rates:	14% of deaths are assumed to be service related.
– Pre-retirement:	RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 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 Disabled 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, 2014 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:

- 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

Note 11. Pension Plan (Continued)

B. Net Pension Liability (Asset) (Continued)

Actuarial Assumptions – Public Safety Employees

The total pension liability for Public Safety employees in the County and the School Board's retirement plan was based on an actuarial valuation as of June 30, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date as of June 30, 2015.

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

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

Mortality Rates:	60% of deaths are assumed to be service related.
– 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 Disabled 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, 2014 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:

- Update mortality table
- Decrease in male and female rates of disability

Note 11. Pension Plan (Continued)

B. Net Pension Liability (Asset) (Continued)

Actuarial Assumptions – School Board Professional Plan

The total pension liability for the VRS Teacher retirement plan was based on an actuarial valuation as of June 30, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date as of June 30, 2015.

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

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

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 forward 2 years and females were set back 3 years.
Post-disablement:	RP-2000 Disabled 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, 2014 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:

- Update mortality table
- Adjustments to 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 11. Pension Plan (Continued)

B. Net Pension Liability (Asset) (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 estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
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 11. Pension Plan (Continued)

B. Net Pension Liability (Asset) (Continued)

Discount Rate

The discount rate used to measure the total pension liabilities 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 County and the School Board's retirement plans will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 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 liabilities.

C. Changes in the Net Pension Liability (Asset)

County

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2014	$ 30,731,020	$ 27,255,393	$ 3,475,627
Changes for the year:			
Service cost	1,191,381	-	1,191,381
Interest	2,101,059	-	2,101,059
Difference between expected and actual experience	(1,142,256)	-	(1,142,256)
Contributions – employer	-	1,034,535	(1,034,535)
Contributions – employee	-	455,835	(455,835)
Net investment income	-	1,254,114	(1,254,114)
Benefit payments, including refunds of employee contributions	(1,431,783)	(1,431,783)	-
Administrative expense	-	(16,855)	16,855
Other changes	-	(265)	265
Net changes	718,401	1,295,581	(577,180)
Balances at June 30, 2015	$ 31,449,421	$ 28,550,974	$ 2,898,447

Note 11. Pension Plan (Continued)

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

School Board Non-Professional

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at June 30, 2014	$ 8,369,535	$ 8,792,278	$ (422,743)
Changes for the year:			
Service cost	310,760	-	310,760
Interest	569,842	-	569,842
Difference between expected and actual experience	97,318	-	97,318
Contributions – employer	-	202,149	(202,149)
Contributions – employee	-	148,042	(148,042)
Net investment income	-	401,260	(401,260)
Benefit payments, including refunds of employee contributions	(457,861)	(457,861)	-
Administrative expense	-	(5,524)	5,524
Other changes	-	(87)	87
Net changes	520,059	287,979	232,080
Balances at June 30, 2015	$ 8,889,594	$ 9,080,257	$ (190,663)

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

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
County net pension liability (asset)	$ 7,293,453	$ 2,898,447	$ (718,133)
School Board's non-professional net pension liability (asset)	834,247	(190,663)	(1,051,618)
School Board professional net pension liability	63,634,000	43,483,000	26,895,000

Note 11. Pension Plan (Continued)

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

Detailed information about the pension plans' fiduciary net position are available in the separately issued VRS financial report. Additional financial information supporting the preparation of the VRS Political Subdivisions Plan Schedules and the VRS Teacher Retirement Plan Schedules (including the unmodified audit opinion on the financial statements and required supplementary information) is presented in the separately issued VRS 2015 Comprehensive Annual Financial Report (CAFR). A copy of the 2015 VRS CAFR is publicly available through the About VRS link on the VRS website at www.varetire.org, or a copy may be obtained by submitting a request to the VRS Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

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

County

For the year ended June 30, 2016, the County recognized pension expense of $356,114. The County also reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 819,585
Net difference between projected and actual earnings on pension plan investments	-	710,048
Employer contributions subsequent to the measurement date	1,118,336	-
Total	$ 1,118,336	$ 1,529,633

The $1,118,336 reported as deferred outflows of resources related to pensions resulting from the County's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017.

Amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2017	$ 603,035
2018	603,035
2019	454,606
2020	(131,043)
	$ 1,529,633

Note 11. Pension Plan (Continued)

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

School Board Non-Professional

For the year ended June 30, 2016, School Board recognized pension expense related to its non-professional plan of $83,027. The School Board also reported deferred outflows of resources and deferred inflows of resources related to its non-professional plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 63,527	$ -
Net difference between projected and actual earnings on pension plan investments	-	234,504
Employer contributions subsequent to the measurement date	212,649	-
Total	$ 276,176	$ 234,504

The $212,649 reported as deferred outflows of resources related to pensions resulting from the School Board non-professional plan's contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset in the year ending June 30, 2017.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions for the School Board non-professional plan will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2017	$ 58,393
2018	62,448
2019	92,182
2020	(42,046)
	$ 170,977

Note 11. Pension Plan (Continued)

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

School Board Professional

For the year ended June 30, 2016, the School Board recognized pension expense related to the professional plan of $3,974,000. 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.

At June 30, 2016 the School Board reported deferred outflows of resources and deferred inflows of resources related to pensions for the professional plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and difference between employer contributions and proportionate share of contributions	$ 1,280,000	$ 364,000
Differences between expected and actual experience	-	599,000
Net difference between projected and actual earnings on pension plan investments	-	2,663,000
Employer contributions subsequent to the measurement date	3,659,664	-
Total	$ 4,939,664	$ 3,626,000

The $3,659,664 reported as deferred outflows of resources related to pensions resulting from the School Board contributions for the professional plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2017	$ 1,004,000
2018	1,004,000
2019	1,004,000
2020	(593,000)
2021	(73,000)
	$ 2,346,000

Note 12. Other Postemployment Benefits, County and School Board

A. Plan Description

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

B. Funding Policy

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

C. Annual OPEB Cost and Net OPEB Obligation

The County and the School Board's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (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 30 years. The following table shows the components of the County and School Board's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County and School Board's net OPEB obligations:

	County	School Board	Totals
Annual required contribution (ARC)	$ 149,500	$ 378,500	$ 528,000
Interest on net OPEB obligation	35,216	88,326	123,542
Adjustment to ARC	(37,205)	(93,315)	(130,520)
Annual OPEB cost	147,511	373,511	521,022
Contributions made	(22,700)	(174,200)	(196,900)
Increase in net OPEB obligation	124,811	199,311	324,122
Net OPEB obligation, beginning of year	1,006,173	2,523,599	3,529,772
Net OPEB obligation, end of year	$ 1,130,984	$ 2,722,910	$ 3,853,894

Note 12. Other Postemployment Benefits, County and School Board (Continued)

C. Annual OPEB Cost and Net OPEB Obligation (Continued)

Trend Information

Three-year trend information is as follows:

County:

Fiscal Year Ended	Annual OPEB Costs	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2016	$ 147,511	15%	$ 1,130,984
June 30, 2015	139,854	12%	1,006,173
June 30, 2014	150,436	20%	883,119

School Board:

Fiscal Year Ended	Annual OPEB Costs	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2016	$ 373,511	47%	$ 2,722,910
June 30, 2015	357,553	37%	2,523,599
June 30, 2014	361,537	45%	2,299,746

Note 12. Other Postemployment Benefits, County and School Board (Continued)

D. Funding Status and Funding Progress

As of July 1, 2014, the most recent roll-forwarded actuarial valuation date, the plans were not funded. The actuarial value of assets was $-0-, resulting in UAAL of $1,093,000 for the County and a UAAL of $3,520,600 for the School Board's plan.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan are compared with past expectations and new estimates are made for the future. The schedules of funding progress, presented as Required Supplementary Information following the notes to the financial statements, present trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The following table shows the funding status for the County and the School Board.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
Primary Government - Employees:						
July 1, 2014	$ -	$ 1,093,000	$ 1,093,000	0%	$ 9,300,200	11.75%
July 1, 2012	-	857,200	857,200	0%	8,504,200	10.08%
July 1, 2010	-	1,369,559	1,369,559	0%	8,269,728	16.56%
Component Unit - School Board - Employees:						
July 1, 2014	$ -	$ 3,520,600	$ 3,520,600	0%	$ 26,881,100	13.10%
July 1, 2012	-	3,105,100	3,105,100	0%	25,143,100	12.35%
July 1, 2010	-	6,336,528	6,336,528	0%	25,920,297	24.45%

E. Actuarial Methods and Assumptions

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 at 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.

Note 12. Other Postemployment Benefits, County and School Board (Continued)

E. Actuarial Methods and Assumptions (Continued)

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 3.0 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 30 years.

Note 13. Landfill Closure and Post-Closure Care Cost

Permit 90 – Closed Landfill

The County closed its former landfill in 2013. State and federal laws and regulations require the County to place a final cover and to perform certain maintenance and monitoring functions at the site for 30 years after closure. The cumulative amount of estimated closure, post-closure care, and corrective action costs for this site, less costs paid to date, totals $1,679,000. 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 perror4m maintenance and monitoring functions for 30 years after closure. Although closure and post-closure care costs are paid only near or after the date the landfill stops accepting waste, the County will report a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used. The $656,000 reported as landfill closure and post-closure liability as of June 30, 2016 represents the cumulative amount reported to date based on estimated use of approximately 31% of the estimated capacity of Cell #1, as well as anticipated future cells for closure costs, and use of approximately 3.5% of the estimated capacity of the entire landfill site for post-closure costs. The remaining estimated cost of closure and post-closure care of $4,714,473 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 14. Commitments and Contingencies

Litigation

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

Federal Grants

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

Commitments

The County and School Board have entered into various construction contracts. Future amounts due under these agreements are approximately $1,851,000 at year end.

During 2015, the County and EDA entered into a performance agreement with a company for the purpose of incentivizing the company to relocate and consolidate its business operations to the County. As 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 fund 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 County.

Note 15. Risk Management

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

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

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

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

Changes in the claims liability amount are shown below:

Fiscal Year Ended	Beginning Liability	Current Year Claims	Claim Payments	Ending Liability
June 30, 2016	$ 454,016	$ 6,386,331	$ 6,334,680	$ 505,667
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 16. Fund Balances

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

	General	Virginia Public Assistance	Debt Service	County Capital Projects	Other	Total
Nonspendale:						
Prepaids	$ 15,000	$ -	$ -	$ -	$ -	$ 15,000
Total nonspendable	15,000	-	-	-	-	15,000
Restricted for:						
Debt service	379,309	-	-	-	-	379,309
Capital projects	-	-	-	155,000	-	155,000
Total restricted	379,309	-	-	155,000	-	534,309
Committed to:						
Community development	71,125	-	-	-	-	71,125
Judicial administration	-	-	-	-	33,156	33,156
Public safety	-	-	-	-	27,845	27,845
Public assistance	-	131,538	-	-	-	131,538
Capital projects	-	-	-	409,748	-	409,748
Total committed	71,125	131,538	-	409,748	61,001	673,412
Assigned to:						
Subsequent year appropriation	14,726	-	-	122,807	-	137,533
General government	311,000	-	-	-	-	311,000
Child care reserve	14,415	-	-	-	-	14,415
Destroyed livestock	9,364	-	-	-	-	9,364
Reassessment reserve	62,597	-	-	-	-	62,597
Capital projects	-	-	-	2,665,140	-	2,665,140
Total assigned	412,102	-	-	2,787,947	-	3,200,049
Unassigned	22,153,299	-	-	-	-	22,153,299
Total fund balance	$23,030,835	$ 131,538	$ -	$3,352,695	$ 61,001	$26,576,069

Note 17. Pending GASB Statements

At June 30, 2016, the Governmental Accounting Standards Board (GASB) had issued statements not yet implemented by the County. The statements which might impact the County are as follows:

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, will improve accounting and financial reporting by state and local governments for OPEB. It will also require the recognition of the entire OPEB liability and a comprehensive measure of OPEB expense. Statement No. 75 will be effective for fiscal years beginning after June 15, 2017.

GASB Statement No. 77, *Tax Abatement Disclosures*, requires a state or local government to disclose information about tax abatement. Statement No. 77 will be effective for fiscal years beginning after December 15, 2015.

GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*, will improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*. Statement No. 80 will be effective for reporting periods beginning after June 15, 2016.

GASB Statement No. 82, *Pension Issues – an Amendment of GASB Statements No. 67, No. 68, and No. 73*, the objective of this Statement is to address certain issues that have been raised with respect to Statement No. 67, *Financial Reporting for Pension Plans*, Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. Statement No. 82 will be effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

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

Note 18. Restatements

Prior period adjustments to beginning net position of the Primary Government are required to correctly state the impact of capital assets not recorded in the prior fiscal year and to adjust premiums, discounts, and deferred charge on refunding for change in accounting method. Prior period adjustments to beginning net position of the Component Unit – School Board are required to correctly state the impact of capital assets incorrectly recorded in the prior year and to adjust prior year compensated absences. A prior period adjustment to beginning net position of the Component Unit – Economic Development Authority is required to correctly state the impact of land and construction not previously recorded when acquired and constructed. The following adjustments have been recorded:

		Component Units	
	Governmental Activities	School Board	Economic Development Authority
Net position, as originally reported, July 1, 2015	$ 24,723,479	$ (1,840,272)	$ 1,496,964
Adjustment to capital assets	93,383	(322,620)	66,918
Adjustment to premiums, discounts, and deferred charge on refunding	(904,608)	-	-
Adjustment to compensated absences	-	689,779	-
Net position, as restated, July 1, 2015	$ 23,912,254	$ (1,473,113)	$ 1,563,882

Note 19. Subsequent Events

Subsequent to year end, on July 18, 2016, the County finalized a lease agreement in the amount of $514,626 to finance two new ambulances for a three-year term with an interest rate of 1.60%.

In the fall of 2016, the County received an upgrade of its lease-revenue bond rating from Standard & Poor's from AA- to AA and an upgrade of its general obligation bond rating from AA to AA+. In addition, the County received its first bond ratings from Moody's: Aa3 for lease-revenue and Aa2 for general obligation bonds.

On December 6, 2016, the EDA sold lease revenue bonds totaling $52,508,303 for the refinancing of the County's 2007 Bonds ($25,265,030) as well as new bonds to fund the construction of a Public Safety Communications System ($9,333,922), Consolidated E-911 Dispatch and Facility ($13,719,262), Dispatch Consolidation and Modernization Project ($2,975,089) and a Fiber Optics/Rural Broadband Initiative ($1,215,000). The broadband component of the issue (series B) was sold as taxable to leverage the greatest amount of flexibility in working with non-governmental entities in the deployment of the project. The refinancing portion of the 2016 Bonds did not extend the original maturity which was 2034 and the final maturity for the new project bonds is 2036. The true interest cost (TIC) on the entire issue was 3.31%. The final savings on the refinancing over the term of the bonds was $3,018,203.

REQUIRED SUPPLEMENTARY INFORMATION

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 11

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Over
	Original	Final	Amounts	(Under)
Revenues:				
General property taxes	$ 39,822,901	$ 39,822,901	$ 40,315,480	$ 492,579
Other local taxes	5,695,116	5,695,116	5,889,432	194,316
Permits, privilege fees and regulatory licenses	305,705	305,705	359,171	53,466
Fines and forfeitures	172,360	172,360	219,125	46,765
Use of money and property	149,400	149,400	203,567	54,167
Charges for services	1,941,565	1,998,449	1,985,794	(12,655)
Miscellaneous	196,332	596,286	557,947	(38,339)
Recovered costs	1,527,700	1,576,231	1,602,324	26,093
Intergovernmental:				
Commonwealth	7,948,986	8,557,255	8,300,915	(256,340)
Federal	2,600	21,932	23,488	1,556
Total revenues	57,762,665	58,895,635	59,457,243	561,608
Expenditures:				
Current:				
General government administration	3,178,224	3,354,175	2,944,001	(410,174)
Judicial administration	1,684,698	1,764,032	1,734,695	(29,337)
Public safety	10,877,572	11,619,161	11,225,158	(394,003)
Public works	903,953	935,185	813,924	(121,261)
Health and welfare	2,938,510	3,318,642	3,151,713	(166,929)
Education	20,775,416	22,811,621	20,458,307	(2,353,314)
Parks, recreation and cultural	1,206,136	1,373,820	1,295,954	(77,866)
Community development	1,233,275	1,777,793	1,440,771	(337,022)
Nondepartmental	1,025,860	107,542	82,990	(24,552)
Total expenditures	43,823,644	47,061,971	43,147,513	(3,914,458)
Revenues over expenditures	13,939,021	11,833,664	16,309,730	4,476,066
Other financing sources (uses):				
Transfers in	27,639	28,017	27,732	(285)
Transfers out	(15,508,930)	(15,787,225)	(15,584,920)	202,305
Total other financing uses, net	(15,481,291)	(15,759,208)	(15,557,188)	202,020
Net change in fund balance	(1,542,270)	(3,925,544)	752,542	4,678,086
Fund balance, beginning	1,542,270	3,925,544	22,278,293	18,352,749
Fund balance, ending	$ -	$ -	$ 23,030,835	$ 23,030,835

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 12

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - VIRGINIA PUBLIC ASSISTANCE FUND

Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
Revenues:				
Intergovernmental:				
Commonwealth	$ 1,084,656	$ 940,409	$ 940,409	$ -
Federal	1,223,127	1,485,672	1,485,672	-
Total revenues	2,307,783	2,426,081	2,426,081	-
Expenditures:				
Current:				
Health and welfare	3,145,740	3,264,038	3,152,007	(112,031)
Total expenditures	3,145,740	3,264,038	3,152,007	(112,031)
Revenues under expenditures	(837,957)	(837,957)	(725,926)	112,031
Other financing sources (uses):				
Transfers in	837,957	837,957	837,957	-
Transfers out	-	(134,074)	(134,074)	-
Total other financing sources, net	837,957	703,883	703,883	-
Net change in fund balance	-	(134,074)	(22,043)	112,031
Fund balance, beginning	-	134,074	153,581	19,507
Fund balance, ending	$ -	$ -	$ 131,538	$ 131,538

COUNTY OF ORANGE, VIRGINIA AND COMPONENT UNITS

EXHIBIT 13

SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
Primary Government						
June 30, 2010	$ -	$ 1,369,559	$ 1,369,559	0.00%	$ 8,269,728	16.56%
June 30, 2012	-	857,200	857,200	0.00%	8,504,200	10.08%
June 30, 2014	-	1,093,000	1,093,000	0.00%	9,300,200	11.75%
School Board						
June 30, 2010	$ -	$ 6,336,528	$ 6,336,528	0.00%	$ 25,920,297	24.45%
June 30, 2012	-	3,105,100	3,105,100	0.00%	25,143,100	12.35%
June 30, 2014	-	3,520,600	3,520,600	0.00%	26,881,100	13.10%

SCHEDULE OF EMPLOYER CONTRIBUTIONS - OTHER POSTEMPLOYMENT BENEFITS

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
Primary Government		
2014	$ 147,300	20.57%
2015	141,600	11.86%
2016	149,500	15.18%
School Board		
2014	$ 352,900	46.27%
2015	362,100	36.92%
2016	378,500	46.02%

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 14

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

	Fiscal Year June 30,	
	2014	2015
Total pension liability:		
Service cost	$ 1,148,245	$ 1,191,381
Interest	1,972,952	2,101,059
Differences between expected and actual experience	-	(1,142,256)
Benefit payments, including refunds of employee contributions	(1,150,418)	(1,431,783)
Net change in total pension liability	1,970,779	718,401
Total pension liability - beginning	28,760,241	30,731,020
Total pension liability - ending (a)	$ 30,731,020	$ 31,449,421
Plan fiduciary net position:		
Contributions - employer	$ 1,106,261	$ 1,034,535
Contributions - employee	458,769	455,835
Net investment income	3,692,589	1,254,114
Benefit payments, including refunds of employee contributions	(1,150,418)	(1,431,783)
Administrative expense	(19,343)	(16,855)
Other	195	(265)
Net change in plan fiduciary net position	4,088,053	1,295,581
Plan fiduciary net position - beginning	23,167,340	27,255,393
Plan fiduciary net position - ending (b)	$ 27,255,393	$ 28,550,974
County's net pension liability - ending (a) - (b)	$ 3,475,627	$ 2,898,447
Plan fiduciary net position as a percentage of the total pension liability	88.69%	90.78%
Covered-employee payroll	$ 9,244,838	$ 9,114,846
County's net pension liability as a percentage of covered-employee payroll	37.60%	31.80%

Notes to Schedule:

(1) **Changes of benefit terms:** There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 are not material.

(2) **Changes of assumptions:** 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 ended June 30, 2012:

LEOS:
a. Update mortality table
b. Adjustments to rates of service retirement for females
c. Increase in rates of withdrawal
d. Decrease in male and female rates of disability

NON-LEOS:
a. Update mortality table
b. Decrease in rates of service retirement
c. Decrease in rates of disability retirement
d. Reduce rates of salary increases by 0.25% per year

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

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 15

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

	Fiscal Year June 30,	
	2014	2015
Total pension liability:		
Service cost	$ 321,928	$ 310,760
Interest	540,454	569,842
Differences between expected and actual experience	-	97,318
Benefit payments, including refunds of employee contributions	(427,241)	(457,861)
Net change in total pension liability	435,141	520,059
Total pension liability - beginning	7,934,394	8,369,535
Total pension liability - ending (a)	$ 8,369,535	$ 8,889,594
Plan fiduciary net position:		
Contributions - employer	$ 234,379	$ 202,149
Contributions - employee	143,849	148,042
Net investment income	1,204,254	401,260
Benefit payments, including refunds of employee contributions	(427,241)	(457,861)
Administrative expense	(6,473)	(5,524)
Other	63	(87)
Net change in plan fiduciary net position	1,148,831	287,979
Plan fiduciary net position - beginning	7,643,447	8,792,278
Plan fiduciary net position - ending (b)	$ 8,792,278	$ 9,080,257
School Board non-professional net pension asset - ending (a) - (b)	$ (422,743)	$ (190,663)
Plan fiduciary net position as a percentage of the total pension liability	105.05%	102.14%
Employer's covered-employee payroll	$ 3,016,799	$ 2,972,779
School Board's non-professional net pension asset as a percentage of covered-employee payroll	14.01%	6.41%

Notes to Schedule:

(1) **Changes of benefit terms:** There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 are not material.

(2) **Changes of assumptions:** 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 ended June 30, 2012:

a. Update mortality table
b. Adjustments to rates of service retirement for females
c. Increase in rates of withdrawal
d. Decrease in male and female rates of disability

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

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 16

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

	Fiscal Year June 30,	
	2014	2015
Employer's proportion of the net pension liability	0.33419%	0.34548%
Employer's proportionate share of the net pension liability	$ 40,386,000	$ 43,483,000
Employer's covered-employee payroll	$ 24,437,220	$ 25,600,000
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	165.26%	169.86%
Plan fiduciary net position as a percentage of the total pension liability	70.88%	70.68%

Notes to Schedule:

(1) **Changes of benefit terms:** There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 are not material.

(2) **Changes of assumptions:** 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 ended June 30, 2012:

a. Update mortality table
b. Adjustments to rates of service retirement for females
c. Decrease in rate of withdrawals for 3 through 9 years of service
d. Decrease in rates of availability
e. Reduce rates of salary increase by 0.25% per year

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

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 17

SCHEDULE OF CONTRIBUTIONS -
VIRGINIA RETIREMENT SYSTEM

	Fiscal Year June 30,	
	2014	2015
Contractually required contribution (CRC)	$ 1,049,288	$ 1,034,535
Contributions in relation to the CRC	1,049,288	1,034,535
Contribution deficiency (excess)	$ -	$ -
Employer's covered-employee payroll	$ 9,244,838	$ 9,114,846
Contributions as a percentage of covered-employee payroll	11.35%	11.35%

Notes to Schedule:

(1) Valuation date: June 30, 2014

(2) Actuarilly determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

(3) Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	20-29 years
Asset valuation method	5-year smoothed market
Cost-of-living adjustments	2.50%
Projected salary increases	3.50%-5.35%
Investment rate of return	7.0%, including inflation at 2.50%

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

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 18

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

	Fiscal Year June 30,	
	2014	2015
Contractually required contribution (CRC)	$ 205,264	$ 202,149
Contributions in relation to the CRC	205,264	202,149
Contribution deficiency (excess)	$ -	$ -
Employer's covered-employee payroll	$ 3,016,799	$ 2,972,779
Contributions as a percentage of covered-employee payroll	6.80%	6.80%

Notes to Schedule:

(1) Valuation date: June 30, 2014

(2) Actuarilly determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

(3) Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	20-29 years
Asset valuation method	5-year smoothed market
Cost-of-living adjustments	2.50%
Projected salary increases	3.50%-5.35%
Investment rate of return	7.0%, including inflation at 2.50%

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

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 19

SCHEDULE OF SCHOOL BOARD PROFESSIONAL CONTRIBUTIONS - VIRGINIA RETIREMENT SYSTEM

	Fiscal Year June 30,	
	2014	2015
Contractually required contribution (CRC)	$ 3,723,620	$ 3,712,000
Contributions in relation to the CRC	3,723,620	3,712,000
Contribution deficiency (excess)	$ -	$ -
Employers covered-employee payroll	$ 25,670,299	$ 25,600,000
Contributions as a percentage of covered-employee payroll	14.51%	14.50%

Notes to Schedule:

(1) Valuation date: June 30, 2014

(2) Actuarilly determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

(3) Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	20-29 years
Asset valuation method	5-year smoothed market
Cost-of-living adjustments	2.50%
Projected salary increases	3.50%-5.95%
Investment rate of return	7.0%, including inflation at 2.50%

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

SUPPLEMENTARY INFORMATION

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 20

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2016

	Asset Forfeiture	Law Library	Totals
ASSETS			
Cash and cash equivalents	$ 34,684	$ 34,259	$ 68,943
Total assets	$ 34,684	$ 34,259	$ 68,943
LIABILITIES			
Accounts payable	$ 6,839	$ 1,103	$ 7,942
Total liabilities	6,839	1,103	7,942
FUND BALANCES			
Committed	27,845	33,156	61,001
Total fund balances	27,845	33,156	61,001
Total liabilities and fund balances	$ 34,684	$ 34,259	$ 68,943

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 21

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS
Year Ended June 30, 2016

	Asset Forfeiture	Law Library	Totals
Revenues:			
Use of money and property	$ 78	$ -	$ 78
Charges for services	-	6,010	6,010
Intergovernmental:			
Commonwealth	13,981	-	13,981
Federal	1,332	-	1,332
Total revenues	15,391	6,010	21,401
Expenditures:			
Current:			
Judicial administration	-	9,570	9,570
Public safety	2,212	-	2,212
Total expenditures	2,212	9,570	11,782
Excess (deficiency) of revenues over (under) expenditures	13,179	(3,560)	9,619
Other financing uses:			
Transfers out	-	(1,354)	(1,354)
Total other financing uses	-	(1,354)	(1,354)
Net change in fund balances	13,179	(4,914)	8,265
Fund balance, beginning	14,666	38,070	52,736
Fund balance, ending	$ 27,845	$ 33,156	$ 61,001

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 22

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS
Year Ended June 30, 2016

	Asset Forfeiture Fund				Law Library Fund			
	Budgeted Amounts			Variance with Final Budget Over	Budgeted Amounts			Variance with Final Budget Over
	Original	Final	Actual	(Under)	Original	Final	Actual	(Under)
Revenues:								
Use of money and property	$ -	$ -	$ 78	$ 78	$ -	$ -	$ -	$ -
Charges for services	-	-	-	-	6,000	6,000	6,010	10
Intergovernmental:								
Commonwealth	-	13,981	13,981	-	-	-	-	-
Federal	-	1,332	1,332	-	-	-	-	-
Total revenues	-	15,313	15,391	78	6,000	6,000	6,010	10
Expenditures:								
Current:								
Judicial administration	-	-	-	-	14,250	14,250	9,570	(4,680)
Public safety	-	29,951	2,212	(27,739)	-	-	-	-
Total expenditures	-	29,951	2,212	(27,739)	14,250	14,250	9,570	(4,680)
Excess (deficiency) of revenues over (under) expenses	-	(14,638)	13,179	27,817	(8,250)	(8,250)	(3,560)	4,690
Other financing uses:								
Transfers out	-	-	-	-	(1,639)	(1,639)	(1,354)	285
Total other financing uses	-	-	-	-	(1,639)	(1,639)	(1,354)	285
Net change in fund balance	$ -	$ (14,638)	$ 13,179	$ 27,817	$ (9,889)	$ (9,889)	$ (4,914)	$ 4,975

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 23

COMBINING STATEMENT OF NET POSITION
AGENCY FUNDS
June 30, 2016

	Special Welfare	Rapidan Hills Limited Partnership	Commonwealth	Bond Escrow Agency	Parks and Recreation Foundation	Totals
ASSETS						
Cash and cash equivalents	$ 49,368	$ 7,830	$ 60,191	$ 466,023	$ 1,982	$ 585,394
Total assets	$ 49,368	$ 7,830	$ 60,191	$ 466,023	$ 1,982	$ 585,394
LIABILITIES						
Accounts payable	$ -	$ -	$ 1,539	$ 1,500	$ -	$ 3,039
Amounts held for others	49,368	7,830	58,652	464,523	1,982	582,355
Total liabilities	$ 49,368	$ 7,830	$ 60,191	$ 466,023	$ 1,982	$ 585,394

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 24

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES **Page 1**

AGENCY FUNDS

Year Ended June 30, 2016

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
SPECIAL WELFARE				
ASSETS				
Cash and cash equivalents	$ 148,176	$ 95,004	$ 193,812	$ 49,368
Total assets	$ 148,176	$ 95,004	$ 193,812	$ 49,368
LIABILITIES				
Amounts held for others	$ 148,176	$ 95,004	$ 193,812	$ 49,368
Total liabilities	$ 148,176	$ 95,004	$ 193,812	$ 49,368
RAPIDAN HILLS LIMITED PARTNERSHIP				
ASSETS				
Cash and cash equivalents	$ 7,830	$ -	$ -	$ 7,830
Total assets	$ 7,830	$ -	$ -	$ 7,830
LIABILITIES				
Amounts held for others	$ 7,830	$ -	$ -	$ 7,830
Total liabilities	$ 7,830	$ -	$ -	$ 7,830
COMMONWEALTH				
ASSETS				
Cash and cash equivalents	$ 88,297	$ 2,561,365	$ 2,589,471	$ 60,191
Total assets	$ 88,297	$ 2,561,365	$ 2,589,471	$ 60,191
LIABILITIES				
Accounts payable	$ -	$ 1,539	$ -	$ 1,539
Amounts held for others	88,297	2,439,043	2,468,688	58,652
Total liabilities	$ 88,297	$ 2,440,582	$ 2,468,688	$ 60,191

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 24

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES **Page 2**

ALL AGENCY FUNDS

Year Ended June 30, 2016

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
BOND ESCROW AGENCY				
ASSETS				
Cash and cash equivalents	$ 361,953	$ 241,570	$ 137,500	$ 466,023
Total assets	$ 361,953	$ 241,570	$ 137,500	$ 466,023
LIABILITIES				
Accounts payable	$ 39,000	$ 85,000	$ 122,500	$ 1,500
Amounts held for others	322,953	241,570	100,000	464,523
Total liabilities	$ 361,953	$ 326,570	$ 222,500	$ 466,023
PARKS AND RECREATION FOUNDATION				
ASSETS				
Cash and cash equivalents	$ 1,982	$ -	$ -	$ 1,982
Total assets	$ 1,982	$ -	$ -	$ 1,982
LIABILITIES				
Amounts held for others	$ 1,982	$ -	$ -	$ 1,982
Total liabilities	$ 1,982	$ -	$ -	$ 1,982
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	$ 608,238	$ 2,897,939	$ 2,920,783	$ 585,394
Total assets	$ 608,238	$ 2,897,939	$ 2,920,783	$ 585,394
LIABILITIES				
Accounts payable	$ 39,000	$ 86,539	$ 122,500	$ 3,039
Amounts held for others	569,238	2,775,617	2,762,500	582,355
Total liabilities	$ 608,238	$ 2,862,156	$ 2,885,000	$ 585,394

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD

Major Governmental Funds

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

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

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

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

Nonmajor Governmental Funds

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

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

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

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 25

COMBINING BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
June 30, 2016

	School Operating Fund	School Textbook Adoptions Fund	Adult Education Fund	School Capital Projects Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	$ 4,236,056	$ 1,065,553	$ 1,251	$ -	$ 179,076	$ 5,481,936
Accounts receivable, net	41,581	-	9,960	-	186,201	237,742
Due from other funds	24,288	-	-	-	-	24,288
Due from other governments	1,884,307	-	30,134	-	9,045	1,923,486
Restricted cash	-	-	-	1,265,068	-	1,265,068
Total assets	$ 6,186,232	$ 1,065,553	$ 41,345	$ 1,265,068	$ 374,322	$ 8,932,520
LIABILITIES						
Due to other funds	$ -	$ -	$ 7,511	$ -	$ 16,777	$ 24,288
Accounts payable	885,619	-	1,032	-	42,895	929,546
Accrued liabilities	4,590,326	-	35,902	-	187,463	4,813,691
Total liabilities	5,475,945	-	44,445	-	247,135	5,767,525
FUND BALANCES						
Assigned	710,287	1,065,553	-	1,265,068	127,187	3,168,095
Unassigned	-	-	(3,100)	-	-	(3,100)
Total fund balances (deficit)	710,287	1,065,553	(3,100)	1,265,068	127,187	3,164,995
Total liabilities and fund balances	$ 6,186,232	$ 1,065,553	$ 41,345	$ 1,265,068	$ 374,322	$ 8,932,520

Total Fund balances		$ 3,164,995
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.		
Governmental capital assets	$ 116,081,920	
Less accumulated depreciation	(62,693,703)	
Net capital assets		53,388,217
Long-term assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental fund.		
Net pension asset		190,663
Deferred outflows of resources represent a consumption of net position that applies to a future period and, therefore, are not recognized as expenditures in the governmental funds.		5,215,840
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		
Capital leases	(7,147,153)	
Compensated absences	(703,672)	
Accrued interest payable	(79,442)	
Other postemployment benefits	(2,722,910)	
Net pension liability	(43,483,000)	
		(54,136,177)
Deferred inflows of resources represent an acquisition of net position that applies to a future period and, therefore, are not recognized as revenue in the governmental funds.		(3,860,504)
Net position of governmental activities		$ 3,963,034

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 26

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
Year Ended June 30, 2016

	School Operating Fund	School Textbook Adoptions Fund	Adult Education Fund	School Capital Projects Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
Use of money and property	$ -	$ -	$ -	$ -	$ 233	$ 233
Charges for services	20,918	246	33,445	-	1,037,119	1,091,728
Miscellaneous	870,823	-	-	-	-	870,823
Appropriation from primary government	21,512,600	-	-	-	-	21,512,600
Intergovernmental:						
Commonwealth	26,188,945	-	150,134	-	30,071	26,369,150
Federal	2,437,315	-	182,111	-	2,881,795	5,501,221
Total revenues	51,030,601	246	365,690	-	3,949,218	55,345,755
Expenditures:						
Current:						
Education	49,202,573	106,657	384,327	-	3,836,391	53,529,948
Debt service:						
Principal	503,691	-	-	-	-	503,691
Interest	167,450	-	-	-	-	167,450
Total expenditures	49,873,714	106,657	384,327	-	3,836,391	54,201,089
Excess (deficiency) of revenues over (under) expenditures	1,156,887	(106,411)	(18,637)	-	112,827	1,144,666
Other financing sources (uses):						
Issuance of capital lease	1,259,830	-	-	-	-	1,259,830
Transfers in	-	436,302	5,060	1,265,068	-	1,706,430
Transfers out	(1,706,430)	-	-	-	-	(1,706,430)
Total other financing sources (uses), net	(446,600)	436,302	5,060	1,265,068	-	1,259,830
Net change in fund balances	710,287	329,891	(13,577)	1,265,068	112,827	2,404,496
Fund balances, beginning	-	735,662	10,477	-	14,360	760,499
Fund balances (deficit), ending	$ 710,287	$ 1,065,553	$ (3,100)	$ 1,265,068	$ 127,187	$ 3,164,995

Net change in fund balances		$ 2,404,496
Reconciliation of amounts reported for governmental activities in the Statement of Activities:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which depreciation and amortization was more than capital outlays in the current period.		
Expenditure for capital assets	$ 2,372,494	
Less depreciation and amortization expense	(4,222,783)	
Excess of depreciation and amortization over capital outlays		(1,850,289)
Net transfer of joint tenancy capital assets from Primary Government to the Component Unit		4,674,547
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Issuance of capital lease	(1,259,830)	
Principal repayments:		
Capital lease	503,691	
		(756,139)
Deferred outflows of resources - pension contributions		3,872,313
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.		
Deferred outflows of resources	1,343,527	
Accrued interest	(26,891)	
Compensated absences	94,448	
Other postemployment benefits	(199,311)	
Pension expense	(4,120,554)	
		(2,908,781)
Change in net position of governmental activities		$ 5,436,147

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 27
Page 1

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GOVERNMENTAL FUNDS
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
Year Ended June 30, 2016

	School Operating Fund				School Textbook Adoptions Fund			
	Budgeted Amounts			Variance with Final Budget Over	Budgeted Amounts			Variance with Final Budget Over
	Original	Final	Actual	(Under)	Original	Final	Actual	(Under)
Revenues:								
Charges for services	$ 37,800	$ 37,800	$ 20,918	$ (16,882)	$ -	$ -	$ 246	$ 246
Miscellaneous	844,267	849,267	870,823	21,556	-	-	-	-
Appropriation from primary government	20,775,416	23,298,913	21,512,600	(1,786,313)	-	-	-	-
Intergovernmental:								
Commonwealth	26,946,687	27,029,852	26,188,945	(840,907)	-	-	-	-
Federal	2,143,123	2,267,483	2,437,315	169,832	-	-	-	-
Total revenues	50,747,293	53,483,315	51,030,601	(2,452,714)	-	-	246	246
Expenditures:								
Current:								
Education	50,024,291	51,276,059	49,202,573	(2,073,486)	482,736	482,736	106,657	(376,079)
Capital outlay	-	-	-	-	-	-	-	-
Debt service:								
Principal	217,570	359,710	503,691	143,981	-	-	-	-
Interest	13,008	90,054	167,450	77,396	-	-	-	-
Total expenditures	50,254,869	51,725,823	49,873,714	(1,852,109)	482,736	482,736	106,657	(376,079)
Excess (deficiency) of revenues over (under) expenditures	492,424	1,757,492	1,156,887	(600,605)	(482,736)	(482,736)	(106,411)	376,325
Other financing sources (uses):								
Issuance of capital lease	-	-	1,259,830	1,259,830	-	-	-	-
Transfers in	-	-	-	-	482,736	482,736	436,302	(46,434)
Transfers out	(492,424)	(1,757,492)	(1,706,430)	51,062	-	-	-	-
Total other financing sources (uses), net	(492,424)	(1,757,492)	(446,600)	1,310,892	482,736	482,736	436,302	(46,434)
Net change in fund balance	$ -	$ -	$ 710,287	$ 710,287	$ -	$ -	$ 329,891	$ 329,891

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 27
Page 2

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GOVERNMENTAL FUNDS
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
Year Ended June 30, 2016

	Adult Education Fund			
	Budgeted Amounts			Variance with Final Budget Over
	Original	Final	Actual	(Under)
Revenues:				
Charges for services	$ 35,224	$ 35,224	$ 33,445	$ (1,779)
Miscellaneous	-	-	-	-
Appropriation from primary government	-	-	-	-
Intergovernmental:				
Commonwealth	137,315	137,315	150,134	12,819
Federal	207,016	207,016	182,111	(24,905)
Total revenues	379,555	379,555	365,690	(13,865)
Expenditures:				
Current:				
Education	389,243	389,243	384,327	(4,916)
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	389,243	389,243	384,327	(4,916)
Excess (deficiency) of revenues over (under) expenditures	(9,688)	(9,688)	(18,637)	(8,949)
Other financing sources (uses):				
Issuance of capital lease	-	-	-	-
Transfers in	9,688	9,688	5,060	(4,628)
Transfers out	-	-	-	-
Total other financing sources (uses), net	9,688	9,688	5,060	(4,628)
Net change in fund balance	$ -	$ -	$ (13,577)	$ (13,577)

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 28

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
June 30, 2016

	School Cafeteria Fund	Employee Childcare Fund	Head Start Fund	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	$ 165,583	$ 13,493	$ -	$ 179,076
Accounts receivable, net	6,633	36,601	142,967	186,201
Due from other governmental units	9,045	-	-	9,045
Total assets	$ 181,261	$ 50,094	$ 142,967	$ 374,322
LIABILITIES				
Due to other funds	$ -	$ -	$ 16,777	$ 16,777
Accounts payable	937	19	41,939	42,895
Accrued liabilities	93,757	9,455	84,251	187,463
Total liabilities	94,694	9,474	142,967	247,135
FUND BALANCES				
Assigned	86,567	40,620	-	127,187
Total fund balances	86,567	40,620	-	127,187
Total liabilities and fund balances	$ 181,261	$ 50,094	$ 142,967	$ 374,322

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 29

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
Year Ended June 30, 2016

	School Cafeteria Fund	Employee Childcare Fund	Head Start Fund	Total Nonmajor Governmental Funds
Revenues:				
Use of money and property	$ 233	$ -	$ -	$ 233
Charges for services	708,138	328,981	-	1,037,119
Intergovernmental:				
Commonwealth	30,071	-	-	30,071
Federal	1,326,275	-	1,555,520	2,881,795
Total revenues	2,064,717	328,981	1,555,520	3,949,218
Expenditures:				
Current:				
Education	1,984,771	296,100	1,555,520	3,836,391
Total expenditures	1,984,771	296,100	1,555,520	3,836,391
Excess of revenues over expenditures	79,946	32,881	-	112,827
Net change in fund balances	79,946	32,881	-	112,827
Fund balances, beginning	6,621	7,739	-	14,360
Fund balances, ending	$ 86,567	$ 40,620	$ -	$ 127,187

DISCRETELY PRESENTED COMPONENT UNIT – ECONOMIC DEVELOPMENT AUTHORITY

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 30

BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT - ECONOMIC DEVELOPMENT AUTHORITY
June 30, 2016

ASSETS		
Cash and cash equivalents	$	1,054,687
Due from Orange County		73,787
Total assets	$	1,128,474
LIABILITIES		
Liabilities:		
Accounts payable	$	12,546
Total liabilities		12,546
FUND BALANCE		
Fund balance:		
Assigned		1,115,928
Total fund balance		1,115,928
Total liabilities and fund balance	$	1,128,474
Fund balance	$	1,115,928
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.		576,536
Net position of governmental activities	$	1,692,464

COUNTY OF ORANGE, VIRGINIA

EXHIBIT 31

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
DISCRETELY PRESENTED COMPONENT UNIT - ECONOMIC DEVELOPMENT AUTHORITY
Year Ended June 30, 2016

Revenues:		
Revenue from the use of money	$	4,787
Charges for services		11,375
Other		3,019
Appropriation from primary government		463,057
Total revenues		482,238
Expenditures:		
Current:		
Community development		365,752
Capital outlay		368,350
Total expenditures		734,102
Net change in fund balance		(251,864)
Fund balance, beginning		1,367,792
Fund balance, ending	$	1,115,928
Net change in fund balance	$	(251,864)
Reconciliation of amounts reported for governmental activities in the Statement of Activities:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceeded the depreciation and amortization in the current period.		356,474
The net effect of transactions involving capital assets (i.e. disposals, donations, and transfers) is to increase net position		23,972
Change in net position of governmental activities	$	128,582

STATISTICAL SECTION

COUNTY OF ORANGE, VIRGINIA

STATISTICAL SECTION
TABLE OF CONTENTS

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

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

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

COUNTY OF ORANGE, VIRGINIA

TABLE 1

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

	Fiscal Year June 30,									
	2016	2015 [1]	2014	2013	2012	2011	2010	2009	2008	2007
Governmental activities:										
Net investment in capital assets	$ 3,005,800	$ 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
Restricted	534,309	155,000	155,000	155,000	-	-	-	-	-	-
Unrestricted	23,018,630	21,071,507	21,542,237	19,545,539	20,175,732	19,290,317	19,826,534	21,206,936	22,349,138	23,236,212
Total governmental activities net position	26,558,739	24,723,479	23,713,756	20,937,852	22,598,567	30,544,379	26,799,807	27,023,352	29,249,010	28,107,121
Business-type activities:										
Net investment in capital assets	13,779,641	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	710,862	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	14,490,503	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	16,785,441	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
Restricted	534,309	155,000	155,000	155,000	-	-	-	-	-	-
Unrestricted	23,729,492	21,547,290	21,892,262	20,162,384	22,194,318	21,956,624	22,169,152	22,562,112	23,177,804	23,236,212
Total primary government net position	$ 41,049,242	$ 39,547,137	$ 38,891,691	$ 36,794,880	$ 37,530,697	$ 44,860,440	$ 39,015,795	$ 37,716,023	$ 38,352,538	$ 28,107,121

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

COUNTY OF ORANGE, VIRGINIA

TABLE 2
Page 1

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

	Fiscal Year June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Primary government:										
Expenses:										
Governmental activities:										
General government	$ 3,697,143	$ 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
Judicial administration	1,650,036	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
Public safety	11,957,728	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
Public works	878,661	862,112	842,455	920,361	790,439	642,287	679,892	800,019	616,698	1,218,688
Health and welfare	6,060,296	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
Education	26,187,147	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
Parks, recreation, and cultural	1,285,193	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
Community development	1,432,001	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
Interest	3,139,207	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
Total governmental activities expense	56,287,412	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
Business-type activities:										
Airport	777,557	872,700	983,900	916,700	898,525	840,425	733,545	548,514	568,900	-
Landfill	2,410,358	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	3,187,915	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 expense	59,475,327	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
Program revenue:										
Governmental activities:										
Charges for services										
General government	918,897	1,011,672	1,093,314	1,055,846	1,100,931	1,771,477	-	-	-	-
Judicial administration	349,355	239,503	364,960	291,311	219,673	340,045	68,202	31,787	87,693	155,591
Public safety	1,580,451	627,575	1,504,002	1,326,899	1,606,510	1,317,980	1,512,408	1,267,967	960,636	911,715
Public works	-	-	-	-	-	-	-	166,136	292,287	543,931
Health and welfare	27,950	2,455	2,523	-	-	-	-	-	-	-
Education	346,051	7,030	222,483	170,955	185,123	271,022	-	-	-	-
Parks, recreation, and cultural	122,294	1,451,794	121,074	156,424	154,866	134,921	432,304	522,889	1,012,648	1,084,077
Community development	344,197	-	-	-	-	-	505	-	-	-
Operating grants and contributions	6,500,636	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
Capital grants and contributions	88,320	-	540,000	-	-	47,546	625,490	661,450	878,745	1,114,046
Total governmental activities program revenue	10,278,151	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
Business-type activities:										
Charges for services										
Airport	306,299	379,093	429,389	422,685	470,543	417,480	307,756	223,071	285,453	-
Landfill	386,607	286,516	326,146	286,168	333,339	309,195	255,400	317,267	531,189	-
Operating grants and contributions	9,207	16,995	9,115	24,513	9,296	11,568	538,546	965,798	1,766,434	-
Capital grants and contributions	30,865	298,068	553,624	475,995	605,634	1,144,325	-	-	-	-
Total business-type activities program revenue	732,978	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 revenue	11,011,129	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

COUNTY OF ORANGE, VIRGINIA

TABLE 2
Page 2

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

	Fiscal Year June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Primary government:										
Net (expense) revenue:										
Governmental activities	$ (46,009,261)	$ (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)
Business-type activities	(2,454,937)	(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	(48,464,198)	(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)
General revenues and other changes in net position:										
Governmental activities:										
Taxes										
Property taxes	39,853,041	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
Local sales and use	2,795,044	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
Consumers' utility taxes	573,344	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
Consumption taxes	94,162	100,354	99,172	96,389	89,117	101,613	90,711	91,249	88,810	87,131
Cable franchise taxes	-	-	-	-	-	-	-	-	-	71,315
E-911 taxes	-	-	-	-	-	-	-	-	-	188,853
Cellular phone taxes	-	-	-	-	-	-	-	-	-	193,332
Motor vehicle license taxes	1,002,943	951,035	960,387	914,527	662,916	652,932	677,609	662,465	626,497	35,106
Taxes on recordation and wills	450,282	446,202	434,981	460,522	379,057	381,132	455,274	471,439	699,013	794,539
Restaurant food taxes	769,294	742,794	713,125	646,602	631,748	577,864	510,629	514,019	540,904	541,263
Other local taxes	204,363	159,310	137,535	207,100	143,343	152,660	115,720	83,338	93,386	84,397
Use of money and property	203,645	120,969	133,126	192,056	234,352	354,819	1,974,347	1,006,373	2,091,066	1,414,945
Miscellaneous	558,478	223,249	349,951	304,803	294,343	491,702	580,009	690,938	676,056	195,531
Grants and contributions not	4,265,161	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
Transfers	(2,114,011)	(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	48,655,746	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
Business-type activities:										
Use of money and property	-	-	-	-	-	-	-	40,775	33,880	35,247
Miscellaneous	7,771	57,553	40,902	56,516	61,713	48,104	106,302	5,068	-	-
Transfers	2,114,011	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	2,121,782	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	50,777,528	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
Changes in net position:										
Governmental activities	2,646,485	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)
Business-type activities	(333,155)	(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	$ 2,313,330	$ 2,937,377	$ 2,495,057	$ (735,817)	$ (5,791,018)	$ 2,756,197	$ 923,655	$ (636,515)	$ 2,540,386	$ 862,635

COUNTY OF ORANGE, VIRGINIA

TABLE 3

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

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

	Fiscal Year June 30,			
	2010	2009	2008	2007
General Fund:				
Reserved	$ -	$ -	$ -	$ 11,924,047
Unreserved	17,204,546	17,204,546	15,756,672	6,010,892
Total general fund	$ 17,204,546	$ 17,204,546	$ 15,756,672	$ 17,934,939
All other governmental funds:				
Reserved	$ 10,052,344	$ 34,667,985	$ 1,371,161	$ 2,265,476
Unreserved, reported in:				
Special revenue fund	487,893	400,645	238,715	126,342
Debt services fund	489,312	1,209,197	-	-
Capital projects fund	2,810,885	3,699,353	21,400,988	4,536,111
Total all other governmental funds	$ 13,840,434	$ 39,977,180	$ 23,010,864	$ 6,927,929

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

COUNTY OF ORANGE, VIRGINIA

TABLE 4

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

	Fiscal Year June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues:										
General property taxes	$ 40,315,480	$ 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
Other local taxes	5,889,432	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
Permits, privilege fees, and regulatory licenses	359,171	307,295	321,965	354,996	304,007	225,857	171,857	178,415	306,181	550,158
Fines and forfeitures	219,125	32,820	96,143	17,964	337	50,182	38,798	260	407	1,956
Use of money and property	203,645	120,969	133,126	192,056	234,352	354,819	1,974,347	1,006,373	2,089,726	1,414,945
Charges for services	1,991,804	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
Miscellaneous	557,947	223,249	349,951	304,803	294,343	491,702	580,009	720,399	676,056	195,531
Recovered costs	1,602,324	1,596,671	1,658,315	1,595,849	1,620,931	2,266,476	214,018	163,170	171,527	60,490
Intergovernmental:										
Commonwealth	9,343,625	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
Federal	1,510,492	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
Total revenues	61,993,045	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
Expenditures:										
General government	2,944,001	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
Judicial administration	1,744,265	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
Public safety	11,227,370	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
Public works	813,924	835,473	842,977	854,968	739,907	749,891	695,733	932,482	697,084	613,288
Health and welfare	6,303,720	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
Education	21,512,600	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
Parks, recreation, and cultural	1,295,954	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
Community development	1,440,771	915,959	1,507,750	952,071	960,472	947,721	1,453,749	1,541,267	1,681,742	2,146,077
Nondepartmental	82,990	149,450	74,854	58,853	56,646	79,648	64,989	70,641	1,929	1,386
Capital outlay	1,690,138	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
Debt service:										
Principal	5,618,697	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
Interest and fiscal charges	3,438,826	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
Bond issuance costs	-	-	-	-	-	-	-	161,844	636,298	-
Total expenditures	58,113,256	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
Excess of revenues over (under) expenditures	3,879,789	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
Other financing sources (uses):										
Transfers in	13,632,337	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
Transfers out	(15,746,348)	(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)
Issuance of bonds	-	-	-	-	-	-	-	30,550,000	5,220,000	-
Premium on bonds issued	-	-	-	-	-	-	-	2,847,298	280,267	-
Issuance of capital leases	-	494,870	56,207	747,000	-	-	-	-	1,644,968	-
Refunding of bonds	-	-	-	-	-	-	-	-	31,235,000	-
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), net	(2,114,011)	(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)
Net change in fund balances	$ 1,765,778	$ 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)
Debt service as a percentage of noncapital expenditures	15.93%	17.05%	17.92%	18.62%	19.61%	21.16%	17.01%	13.97%	13.81%	13.55%

COUNTY OF ORANGE, VIRGINIA

TABLE 5
Page 1

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

	Real Estate [1]						Personal Property							
Tax Year	Residential	Commercial	Agricultural	Land Use Deferment	Public Service Companies [2]	Nominal Tax Rate per $100	Personal Property [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
2016	$ 2,891,574,450	$ 269,842,800	$ 885,356,900	$ (335,949,129)	$ 169,705,328	$ 0.804	$ 279,172,792	$ 3.750	$ 4,778,250	$ 0.804	$ 37,843,645	$ 1.831	$ 47,096,280	$ 0.400
2015	2,872,989,900	288,499,900	938,883,900	(405,605,300)	159,283,646	0.804	267,188,483	3.750	4,531,275	0.804	36,472,265	1.831	44,482,505	0.400
2014	2,851,679,600	285,469,200	935,478,300	(392,770,900)	156,469,027	0.804	260,018,870	3.750	4,659,999	0.804	31,425,320	1.831	47,827,072	0.400
2013	2,831,446,900	278,849,200	937,481,400	(395,149,600)	158,528,254	0.720	253,822,185	3.750	4,772,504	0.720	30,302,947	1.831	38,623,768	0.400
2012	2,813,280,900	268,501,700	934,808,400	(399,110,800)	150,901,640	0.720	247,033,473	3.750	4,753,499	0.720	32,438,245	1.831	36,833,317	0.400
2011	4,049,804,500	274,307,300	1,299,776,700	(627,490,300)	146,290,996	0.490	238,198,946	3.270	5,857,655	0.490	46,108,840	1.831	34,275,835	0.400
2010	4,032,854,000	276,234,300	1,303,981,800	(618,427,800)	149,505,359	0.490	233,050,277	3.270	5,888,190	0.490	49,158,875	1.831	34,848,749	0.400
2009	4,012,310,300	276,643,400	1,312,888,700	(605,297,900)	140,776,365	0.470	227,694,111	3.270	6,142,616	0.470	51,910,995	1.831	38,197,251	0.400
2008	3,966,139,800	274,589,900	1,327,183,700	(613,881,300)	134,996,368	0.470	351,899,437	2.200	6,073,710	0.470	62,542,275	1.831	38,635,793	0.400
2007	3,832,636,100	273,206,951	1,341,185,300	(594,753,400)	138,373,058	0.420	324,623,641	2.200	6,376,260	0.420	67,804,289	1.831	38,535,558	0.400

Notes:
(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 taxed at the same rate. Campers were included in regular personal property until 2012 when the Board decided RVs and Campers should have the same rate.

Source: Commissioner of Revenue

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

COUNTY OF ORANGE, VIRGINIA

TABLE 5
Page 2

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

	Personal Property (Continued)													
Tax Year	Business and Heavy Equipment [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
2016	$ 36,712,415	$ 2.200	$ 6,121,182	$ 2.620	$ 2,659,380	$ 0.700	$ 9,731,932	$ 2.090	$ 436,220	$ -	$ 129,819	$ 3.750	$ 4,305,212,264	$ 1.001
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	0.925
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

Notes:
(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 taxed at the same rate. Campers were included in regular personal property until 2012 when the Board decided RVs and Campers should have the same ra

Source: Commissioner of Revenue

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

COUNTY OF ORANGE, VIRGINIA

TABLE 6

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

	Direct Rates*									
Tax Year	Real Estate [2]	Personal Property [2]	Mobile Homes	Machinery and Tools [2]	Merchants' Capital	Business Equipment	RVs and Campers	Airplanes	Boats	Total Direct Rate
2016	$ 0.729	$ 0.225	$ 0.001	$ 0.014	$ 0.005	$ 0.019	$ 0.003	$ 0.001	$ 0.005	$ 1.001
2015	0.655	0.227	0.001	0.013	0.004	0.017	0.003	0.001	0.005	0.925
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

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

Notes:
[1] Per $100 of assessed value
[2] Includes Public Service Companies

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

COUNTY OF ORANGE, VIRGINIA

TABLE 7

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

		2016			2007		
Taxpayer	Type of Business	Assessed Value [2]	Rank	Percentage of Total Taxable Assessed Value	Assessed Value [2]	Rank	Percentage of Total Taxable Assessed Value
VanHoven Enterprises, LLC	Horticulture	$ 51,291,500	1	1.32%	$ -	-	0.00%
Aerojet General Corp	Manufacturing	17,282,500	2	0.45%	21,080,100	1	0.42%
Holtzbrinck Publishers	Book Distributor	16,729,900	3	0.43%	18,755,800	2	0.38%
Rocklands LLC	Agriculture	10,681,000	4	0.28%	-	-	0.00%
Wal-Mart	Retail	9,802,400	5	0.25%	-	-	0.00%
Howell Taylor LTD	Agriculture	7,446,700	6	0.19%	-	-	0.00%
American Woodmark	Manufacturing	7,093,100	7	0.18%	6,566,000	4	0.13%
P.W. Hiden LLC	Agriculture	6,669,600	8	0.17%	-	-	0.00%
Somerset Plantation Inc.	Agriculture	6,617,700	9	0.17%	-	-	0.00%
Orange Village	Shopping Center	6,175,400	10	0.16%	8,470,800	3	0.17%
Barboursville Corporation	Winery	-	-	0.00%	5,914,100	5	0.12%
PMC Distribution	Manufacturing	-	-	0.00%	5,887,300	6	0.12%
Lohman Corporation	Manufacturing	-	-	0.00%	2,195,900	10	0.04%
Round Hill Company	Hotel	-	-	0.00%	5,548,000	7	0.11%
One America Place	Manufacturing	-	-	0.00%	4,208,100	9	0.08%
General Shale	Manufacturing	-	-	0.00%	4,772,000	8	0.10%
Total Principal Property Tax Payers' Assessed Values		139,789,800		3.60%	83,398,100		1.67%
All Other Tax Payers' Assessed Values		3,740,740,549		96.40%	4,907,249,909		98.33%
Total Annual Assessed Values		$ 3,880,530,349		100.00%	$ 4,990,648,009		100.00%

Notes:

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

[2] Amounts provided for real estate assessments only.

Source: Commissioner of Revenue

COUNTY OF ORANGE, VIRGINIA

TABLE 8

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2016	$ 41,032,097	$ 39,513,123	96.30%	$ -	$ 39,513,123	96.30%
2015	42,035,631	41,509,115	98.75%	452,334	41,961,449	99.82%
2014	40,285,579	39,072,965	96.99%	137,266	39,210,231	97.33%
2013	38,114,349	37,414,751	98.16%	371,857	37,786,608	99.14%
2012	32,995,952	32,237,484	97.70%	614,544	32,852,028	99.56%
2011	31,815,752	31,299,234	98.38%	433,767	31,733,001	99.74%
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%	1,487,132	31,111,538	99.99%
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%

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

COUNTY OF ORANGE, VIRGINIA

TABLE 9

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

Fiscal Year June 30,	Governmental Activities: General Obligation Bonds	Literary Fund Loans	Other Notes/ Bonds	Capital Leases	Total Primary Government	Percentage of Personal Income [1]	Debt Per Capita [1]
2016	$ 46,551,004	$ -	$ 24,900,000	$ 998,813	$ 72,449,817	N/A	$ 2,077
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	6.01%	2,391
2013	59,095,722	-	27,133,866	1,565,987	87,795,575	6.53%	2,539
2012	61,063,084	-	28,775,000	1,050,901	90,888,985	7.15%	2,654
2011	65,397,332	-	29,535,000	1,205,537	96,137,869	8.12%	2,833
2010	73,209,104	-	29,589,064	1,657,766	104,455,934	9.10%	3,269
2009	76,354,106	-	29,836,524	2,136,850	108,327,480	9.88%	2,383
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

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

[1] See the Schedule of Demographic and Economic Statistics - Table 11.

COUNTY OF ORANGE, VIRGINIA

TABLE 10

RATIOS OF NET GENERAL BONDED DEBT TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA
Last Ten Fiscal Years
(Unaudited)

Fiscal Year Ended June 30,	Gross Bonded Debt [3]	Less: Amounts Reserved for Debt Service	Net Bonded Debt	Ratio of Net General Obligation Debt to Assessed Value [2]	Net Bonded Debt per Capita [1]
2016	$ 46,551,004	$ 379,309	$ 46,171,695	1.07%	$ 1,324
2015	50,004,318	-	50,004,318	1.17%	1,438
2014	54,474,685	-	54,474,685	1.30%	1,580
2013	59,095,722	-	59,095,722	1.29%	1,709
2012	61,063,084	-	61,063,084	1.34%	1,783
2011	65,397,332	-	65,397,332	1.06%	1,927
2010	102,404,572	489,312	101,915,260	1.67%	3,037
2009	106,190,630	1,209,197	104,981,433	1.72%	3,150
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

Notes:

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

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

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

COUNTY OF ORANGE, VIRGINIA

TABLE 11

DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years
(Unaudited)

Fiscal Year Ended June 30,	Population [1]	Personal Income [1]	Per Capita Personal Income [1]	Median Age [2]	Public School Average Daily Membership [3]	Unemployment Rate [4]
2016	34,874	N/A	N/A	42.6	4,840	3.90%
2015	34,763	N/A	N/A	42.6	4,969	4.90%
2014	34,487	$ 1,372,657,000	$ 39,190	42.6	4,971	5.40%
2013	34,580	1,344,107,000	38,821	42.6	4,960	6.00%
2012	34,246	1,271,930,686	37,141	42.6	5,044	6.70%
2011	33,938	1,183,902,000	34,884	41.9-44	5,027	6.80%
2010	33,559	1,148,376,000	34,220	40-44.8	5,058	7.70%
2009	33,329	1,096,430,000	32,897	40-44.8	5,110	3.20%
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%

Notes:

[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

COUNTY OF ORANGE, VIRGINIA

TABLE 12

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

	2016			2007		
Employer	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
American Woodmark	322	1	3.60%	210	4	2.24%
MPS	302	2	3.38%	350	2	3.73%
Germanna Community College*	300	3	3.35%	362	1	3.86%
Dogwood Village of Orange County	248	4	2.77%	215	3	2.29%
Walmart	215	5	2.40%	-	-	-
Zamma Corporation	212	6	2.37%	-	-	-
Battlefield Farms	210	7	2.35%	195	7	2.08%
Food Lion	189	8	2.11%	202	6	2.15%
Aerojet General Corporation	161	9	1.80%	150	9	1.60%
Green Applications	151	10	1.69%	-	-	-
Ridgid Tool Manufacturing	-	-	-	179	8	1.91%
American Press	-	-	-	206	5	2.19%
PBM Products	-	-	-	90	10	0.96%
	2,310		25.82%	2,159		23.00%
Total County Employment	8,948			9,388		

Source: Virginia Employment Commisssion, 2nd Quarter 2015.

** quasi private employer*

COUNTY OF ORANGE, VIRGINIA

TABLE 13
Page 1

OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years
(Unaudited)

Function	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Public safety										
Sheriffs department: [1]										
Physical arrests	1,323	1,106	1,085	1,017	994	804	840	847	996	1,059
Traffic violations	2,719	2,471	2,499	2,602	2,017	2,429	3,320	3,260	2,294	1,328
Civil papers	8,979	10,064	10,919	9,913	10,379	10,679	11,051	11,920	11,648	11,361
Fire and rescue:										
Number of calls answered	6,475	6,529	5,707	5,962	6,834	5,463	5,696	4,686	5,385	5,281
Building inspections:										
Permits issued	880	778	848	826	693	633	679	675	985	1,207
Animal control:										
Number of calls answered [1]	640	1,280	1,229	776	1,385	1,319	1,213	658	767	947
Public works										
General maintenance:										
Trucks/vehicles	4	5	3	3	3	3	3	3	16	15
Landfill:										
Refuse collected (total tons per year)	24,225	15,871	24,373	23,696	25,985	33,269	35,946	44,914	47,762	76,656
Recycling (total tons per year)	2,909	1,571	1,979	7,000	1,733	1,561	2,076	2,343	4,035	N/A
Health and welfare										
Office on Youth Childcare Enrollment:										
Gordon Barbour Elementary School	51	55	37	37	42	43	N/A	N/A	N/A	N/A
Locust Grove Primary School	87	76	34	46	33	39	N/A	N/A	N/A	N/A
Orange Elementary School	43	36	43	site closed	site closed	30	N/A	N/A	N/A	N/A
Culture and recreation										
Parks and recreation:										
Youth sports participants	425	515	591	541	931	456	439	364	1,864	1,139
Community development										
Planning:										
Zoning permits issued	301	328	290	313	283	252	355	337	497	764
Component Unit – School Board										
Education:										
Average Daily Membership (ADM)	4,840	4,969	4,971	4,960	5,023	5,027	5,058	5,110	5,044	4,869
Number of teachers	360	348	348	346	339	346	391	388	386	390
Local expenditures per pupil	4,109	4,055	3,690	3,908	3,198	3,216	N/A	3,458	3,418	3,280

COUNTY OF ORANGE, VIRGINIA

TABLE 13
Page 2

OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years
(Unaudited)

Function	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Full-Time Employee Population										
General administration	31	32	32	32	29	29	33	34	34	N/A
Judicial administration	22	21	20	19	20	19	20	21	20	N/A
Public safety	97	97	94	93	87	86	88	95	88	N/A
Public works	8	8	8	8	8	8	9	9	8	N/A
Health and welfare	5	4	4	2	2	2	6	7	16	N/A
Parks, recreation and cultural	9	9	9	9	8	8	9	12	12	N/A
Community development	8	9	8	8	7	7	6	7	9	N/A
Airport	1	1	1	1	1	1	1	2	2	N/A
Landfill	8	8	7	7	7	7	7	9	10	N/A
Capital Assets, net of accumulated depreciation										
General administration	$ 14,234,451	$ 14,635,541	$ 14,557,883	$ 15,439,858	$ 15,068,367	N/A	N/A	N/A	N/A	N/A
Judicial administration	12,801	17,896	13,588	-	-	N/A	N/A	N/A	N/A	N/A
Public safety	2,626,968	2,730,149	2,057,784	1,750,344	1,622,991	N/A	N/A	N/A	N/A	N/A
Public works	1,492,201	275,612	265,767	424,182	387,448	N/A	N/A	N/A	N/A	N/A
Health and welfare	71,277	67,154	45,282	-	30,018	N/A	N/A	N/A	N/A	N/A
Education	91,159,498	95,427,463	96,257,186	94,077,159	95,082,005	N/A	N/A	N/A	N/A	N/A
Parks, recreation and cultural	411,656	245,596	272,228	15,594	94,105	N/A	N/A	N/A	N/A	N/A
Community development	61,519	148,084	142,711	63,510	129,172	N/A	N/A	N/A	N/A	N/A
Airport	11,004,347	11,371,563	11,526,529	11,327,593	11,646,100	N/A	N/A	N/A	N/A	N/A
Landfill	2,355,044	2,976,312	3,301,381	3,912,590	1,267,444	N/A	N/A	N/A	N/A	N/A
Total	$ 123,429,762	$ 127,895,370	$ 128,440,339	$ 127,010,830	$ 125,327,650	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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2016

Federal Grantor/State Pass-Through Grantor/ Program or Cluster Title	Pass-Through Entity Identifying Number	Passed-Through to Subrecipients	Federal CFDA Number	Total Federal Expenditures
DEPARTMENT OF AGRICULTURE:				
Pass-through payments:				
Department of Social Services:				
SNAP Cluster:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Not provided	$ -	10.561	$ 264,659
Total SNAP Cluster				264,659
Department of Agriculture:				
Child Nutrition Cluster:				
Summer Food Service Program for Children	Not provided	-	10.559	34,042
Commodity Distributions	Not provided	-	10.555	126,504
				160,546
Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	Not provided	-	10.553	232,054
National School Lunch Program	Not provided	-	10.555	933,672
				1,165,726
Total Child Nutrition Cluster				1,326,272
Total Department of Agriculture				1,590,931
DEPARTMENT OF DEFENSE:				
Direct payments:				
Department of Defense:				
ROTC Language and Culture Training Grants	Not provided	-	12.357	64,489
Total Department of Defence				64,489
DEPARTMENT OF THE INTERIOR:				
Direct payments:				
Bureau of Land Management:				
Payments in Lieu of Taxes	Not provided	-	15.226	14,883
Total Department of the Interior				14,883
DEPARTMENT OF JUSTICE:				
Pass-through payments:				
Blue Ridge Narcotics & Gang Task Force:				
Equitable Sharing Program	Not provided	-	16.922	1,332
Total Department of Justice				1,332

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2016

Federal Grantor/State Pass-Through Grantor/ Program or Cluster Title	Pass-Through Entity Identifying Number	Passed-Through to Subrecipients	Federal CFDA Number	Total Federal Expenditures
DEPARTMENT OF TRANSPORTATION:				
Direct payments:				
Department of Transportation:				
Airport Improvement Program	Not provided	$ -	20.106	$ 22,144
Pass-through payments:				
Department of Motor Vehicles:				
Highway Safety Cluster:				
State and Community Highway Safety	Not provided	-	20.600	8,605
Total Highway Safety Cluster				8,605
Total Department of Transportation				30,749
DEPARTMENT OF EDUCATION:				
Pass-through payments:				
Department of Education:				
Adult Education - Basic Grants to States	V002A140047	-	84.002	182,019
Title I Grants to Local Education Agencies	S010A140046	-	84.010	777,465
Advance Placement Program	Not provided	-	84.330	2,132
Special Education Cluster:				
Special Education - Grants to States	H027A140107	-	84.027	1,088,787
Special Education - Preschool Grants	H173A140112	-	84.173	41,393
Total Special Education Cluster				1,130,180
Career and Technical Education - Basic Grants to States	V048A140046	-	84.048	72,888
English Language Acquisition State Grants	S365A140046	-	84.365	18,531
Supporting Effective Instruction State Grant	S367A140044	-	84.367	150,076
Total Department of Education				2,333,291

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2016

Federal Grantor/State Pass-Through Grantor/ Program or Cluster Title	Pass-Through Entity Identifying Number	Passed-Through to Subrecipients	Federal CFDA Number	Total Federal Expenditures
DEPARTMENT OF HEALTH AND HUMAN SERVICES:				
Direct payments:				
Department of Health and Human Services:				
Head Start	03CH3386/02 03HP0011/01	$ -	93.600	$ 1,555,520
Pass-through payments:				
Department of Social Services:				
Promoting Safe and Stable Families	Not provided	-	93.556	10,834
TANF Cluster:				
Temporary Assistance for Needy Families	Not provided	-	93.558	205,844
Total TANF Cluster				205,844
Refugee and Entrant Assistance - State Administered Programs	Not provided	-	93.566	245
Low-Income Home Energy Assistance	Not provided	-	93.568	21,645
Child Care and Development Fund Cluster:				
Child Care and Development Block Grant	Not provided	-	93.575	(1,283)
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Not provided	-	93.596	29,744
Total Child Care and Development Fund Cluster				28,461
Chafee Education and Training Vouchers Program (ETV)	Not provided	-	93.599	2,752
Stephanie Tubbs Jones Child Welfare Services Program	Not provided	-	93.645	1,420
Foster Care - Title IV-E	Not provided	-	93.658	208,562
Adoption Assistance	Not provided	-	93.659	225,602
Social Services Block Grant	Not provided	-	93.667	146,309
Chafee Foster Care Independence Program	Not provided	-	93.674	4,158
Children's Health Insurance Program	Not provided	-	93.767	12,465
Medicaid Cluster:				
Medical Assistance Program	Not provided	-	93.778	576,150
Total Medicaid Cluster				576,150
Total Department of Health and Human Services				2,999,967
Total Expenditures of Federal Awards				$ 7,035,642

See Notes to Schedule of Expenditures of Federal Awards.

COUNTY OF ORANGE, VIRGINIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2016

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the County of Orange, Virginia and component unit, Orange County School Board under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County.

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

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

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

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

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

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

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The County has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3. Non-Cash Assistance

In addition to amounts reported on the Schedule, the County of Orange, Virginia consumed non-cash assistance in the form of food commodities. Commodities with a fair value of $126,504 at the time received were consumed during the year ended June 30, 2016. These commodities were included in the determination of federal awards expended during the year ended June 30, 2016.

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Orange, Virginia (County) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated February 17, 2017.

Internal Control over Financial Reporting

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

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 Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2016-001 to 2016-006 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2016-007 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2016-008 to 2016-014.

The County's Response to Findings

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

Purpose of this Report

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

PBMares, LLP

Harrisonburg, Virginia
February 17, 2017

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

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

Report on Compliance for Each Major Federal Program

We have audited the County of Orange, Virginia's (County) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2016. The County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2016-015. Our opinion on each major federal program is not modified with respect to this matter.

The County's Response to Noncompliance Finding

The County's response to the noncompliance finding identified in our audit as 2016-015 is described in the accompanying Schedule of Findings and Questioned Costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2016-015, that we consider to be a material weakness.

The County's Response to Internal Control over Compliance Finding

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

Purpose of this Report

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

PBMares, LLP

Harrisonburg, Virginia
February 17, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2016

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
Child Nutrition Cluster:	
10.553	School Breakfast Program
10.555	National School Lunch Program
10.555	Commodity Distributions
10.559	Summer Food Service Program for Children
84.010	Title I Grants to Local Education Agencies
Special Education Cluster:	
84.027	Special Education - Grants to States
84.173	Special Education - Preschool Grants
93.600	Head Start

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

Auditee qualified as low-risk auditee? ____Yes √ No

II. FINANCIAL STATEMENT FINDINGS

A. Material Weaknesses in Internal Control

2016-001: Material Weakness Due to Material Audit Adjustments

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

Condition: Upon auditing the year-end balances of the County, School Board, and Economic Development Authority, there were instances of material adjustments identified, including entries to restate prior periods.

Context: Pertaining specifically to recording capital assets of the Economic Development Authority, capital assets should be recorded when monies are expended or when donations are received. Capital asset expenditures are expensed in the fund statements, but then shown as a reconciling item on the entity-wide statements. Capital asset donations are shown as a reconciling item on the entity-wide statements. Upon auditing the Economic Development Authority's year-end balances, an entry to restate prior periods was required to recognize capital assets not previously recorded by the Economic Development Authority.

Upon auditing the County's year-end balances, entries were required to restate prior periods to record capital assets not previously recorded by the County. In auditing accounts payable, material adjustments were made to the County's Capital Projects Fund to correct for items improperly included in the accounts payable balance and to reduce expenditures for items that are to be recognized as expenditures in a future period.

Upon auditing the School Board's year-end balances, entries were required to restate prior periods to reclassify capital assets that were improperly included in the construction in progress balance at year end and, therefore, the capital assets were not depreciating properly. Entries were required to recognize the asset as depreciable and record the related accumulated depreciation for the time period the asset was in service. Additionally, an entry was required to restate the prior period to properly record the compensated absences liability, based on the School Board's compensated absences policy. The calculation of the liability was not in accordance with the School Board's policy which states sick leave balance will only be paid out upon retirement. Balances pertaining to employees ineligible for retirement were improperly included in the liability calculation, resulting in a material adjustment in the current year balance and a restatement of the prior year balance.

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

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

II. FINANCIAL STATEMENT FINDINGS (Continued)

A. Material Weaknesses in Internal Control (Continued)

2016-001: Material Weakness Due to Material Audit Adjustments (Continued)

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

View of responsible officials: The auditee agrees with these recommendations and has taken the necessary steps to prevent a recurrence.

2016-002: School Board Capital Lease Proceeds and Unrecorded Bank Account

Criteria: All current year account balances, transactions and activities should be properly recorded in the general ledger to accurately reflect the current year operations of the School Board.

Condition: Upon auditing long-term liability balances at year end, it was determined the School Board had opened a new bank account but did not record it in the School Board's general ledger. The original cash escrow deposit of capital lease proceeds was not reflected in the general ledger, nor were the current year disbursements made for capital-related expenditures. Bank reconciliations were not performed for the bank account, and the bank account was not identified as a public deposit.

Context: The balance in the Bank of America Performance Bond Escrow Account at year end was confirmed to be $1,039,000. Supporting documentation was viewed for related capital asset and accounts payable activity, including $1,260,000 of capital lease proceeds, $550,000 of capital outlay expenditures, and $328,000 of accounts payable.

Cause: There was lack of due diligence and review to ensure items noted above were accurately recorded. Additionally, controls were not properly in place to ensure the proper reconciliation and recording of transactions for the identified bank account.

Effect: Material audit adjustments were made to record the cash balance and accounts payable balance at year end, as well as the capital outlay expenditures.

Recommendation: We recommend all bank accounts be identified as public deposits, communicated to the County Treasurer and reconciled. We also recommend the School Board properly identify and record all transactions in the general ledger as they occur.

View of responsible officials: The auditee agrees with these recommendations and has taken the necessary steps to prevent a recurrence.

II. FINANCIAL STATEMENT FINDINGS (Continued)

A. Material Weaknesses in Internal Control (Continued)

2016-003: Segregation of Duties over School Board Payroll and Accounts Payable

Criteria: Duties related to significant accounting processes, including payroll and accounts payable, should be segregated to the fullest extent, to avoid the risk of fraudulent activity, errors, and allow for continuity in the event of an unexpected and/or untimely absence of an employee involved in the process.

Condition: In auditing the internal control over the School Board's payroll and accounts payable systems, it was determined each employee within the Finance Department is able to access and update the employee master file, as well as input time sheets into the system, and process payroll. Each employee also has access to update the vendor master file, create purchase orders, and process accounts payable.

Context: All users involved in the School Board's accounting processes have access to all elements of the payroll and accounts payable modules.

Cause: Additional rights were granted to employees in an effort to cross-train and provide backup in the event of employee absence. Rather than granting specific rights to individuals, each employee was granted all rights within the module.

Effect: The potential effect of this lack of segregation of duties over these functions could allow for errors and defalcations within the payroll and accounts payable cycles. Furthermore, the lack of segregation of duties creates an environment in which there is more potential for human error, which could go undetected.

Recommendation: Employee user access to the payroll and accounts payable modules should be reviewed, with access restricted to only those modules necessary to perform assigned functions. Due to the inherent nature of the transactions and the significant dollar amounts involved, payroll and accounts payable are likely areas for errors and defalcations. Better segregation of duties will enhance controls to detect any such errors, fraud or irregularities and provide for much greater safeguarding of assets.

View of responsible officials: The auditee agrees with these recommendations and has taken the necessary steps to prevent a recurrence.

II. FINANCIAL STATEMENT FINDINGS (Continued)

A. Material Weaknesses in Internal Control (Continued)

2016-004: Social Services Payroll

Criteria: Proper internal controls should be established for significant accounting processes, including payroll, to avoid potential fraudulent activity and errors with the Orange County Department of Social Services (Department). Internal controls should include maintaining complete, accurate, and up to date personnel files for all employees, including approved Personnel Action Forms documenting any payroll changes. Proper support should be maintained for hours worked, including time cards for both regular and on-call hours. Proper communication and segregation of duties regarding the monitoring and management of employee time should exist and be maintained. Employee pay rates should be reviewed regularly to ensure accuracy.

Condition: Through December 2015, time cards were not maintained for Department employees working regular hours and were sporadically maintained for employees working on-call hours. Personnel files were not maintained for some employees and some personnel files were not current during the period under audit. Personnel Action Forms were not completed and maintained for payroll changes. Time and attendance records for employees were kept manually and not consistently completed and maintained. There was a lack of communication between the Assistant Director and Supervisors in the monitoring and management of employee time, attendance, and leave. Beginning in January 2016, personnel files and the processing of payroll was transferred to the appropriate County departments. It should be noted the above conditions were perpetrated under the direction of the prior Director of Social Services. Beginning July 31, 2015, a new Director was hired who has taken significant steps to remedy the above concerns and continues to implement policies and procedures to ensure adequate controls be implemented and maintained.

Context: Of 25 employees tested, six employees were paid at incorrect rates. Supporting payroll records could not be found for the July 2015 payroll. Supporting time cards were not maintained for multiple employees and personnel files were not maintained adequately.

Cause: There was lack of due diligence and review to ensure items noted above were accurately recorded and supported by underlying records.

Effect: The potential effect of the lack of recordkeeping and monitoring over these functions could allow for errors and defalcations within the payroll process. Furthermore, the lack of recordkeeping and monitoring creates an environment in which there is more potential for human error, which could go undetected. There were known instances as described above in which employees were paid incorrect amounts due to inaccurate rates being used to calculate employee gross pay.

II. FINANCIAL STATEMENT FINDINGS (Continued)

A. Material Weaknesses in Internal Control (Continued)

2016-004: Social Services Payroll (Continued)

Recommendation: We recommend creating and following formal policies and procedures to ensure proper recordkeeping and monitoring of the payroll function. We recommend communications be made regarding oversight responsibilities to ensure the proper management of employee time and attendance.

View of responsible officials: The auditee agrees with these recommendations and has taken the necessary steps to prevent a recurrence.

2016-005: Social Services Case Records

Criteria: The accurate maintenance of case records is essential to the operations and compliance of the Orange County Department of Social Services (Department). Maintenance of client case records should follow proper internal control procedures to prevent fraud or error, including review by Supervisors. There should be proper accountability regarding responsibility for cases. Caseloads should be reasonable, allocated equitably, and allow workers sufficient time to adequately complete their duties. Unit meetings and individual case staffing sessions should occur regularly. Open referrals should be addressed on a timely basis. Adequate coverage and assignment of referrals should be granted for workers when away. Each case should be adequately documented to ensure each case record is up to date.

Condition: Through mid-fiscal year, case records were not routinely reviewed by Supervisors. For non-VIEW related child cases, it was noted such cases were managed by two Department employees sharing the same room without specific assignment. This created an accountability risk as the segregation of duties between the Department employees was unclear. Subsequent to year end, this unit was restructured. Previously, the service Supervisor carried a caseload. Due to this caseload burden, there was insufficient time for the Supervisor to provide scheduled supervision or conduct unit meetings, and neither regular unit meetings nor individual case staffing sessions were occurring. In addition, the caseload burden for staff was noted to be overwhelming and inequitably distributed, preventing staff from adequately servicing each case. A new organizational chart was implemented mid-fiscal year to properly distribute case loads and regular meetings are now being held. Through mid-fiscal year, case referrals persisted as open without timely resolution throughout the year. There was inadequate coverage granted for workers when away, resulting in lack of timely assignment of referrals. The Department consistently failed to maintain adequate documentation of case records in Oasis. Efforts have been made throughout the fiscal year to update Oasis files. It should be noted the above conditions were perpetrated under the direction of the prior Director of Social Services. Beginning July 31, 2015, a new Director was hired who has taken significant steps to remedy the above concerns and continues to implement policies and procedures to ensure compliance with related requirements.

II. FINANCIAL STATEMENT FINDINGS (Continued)

A. Material Weaknesses in Internal Control (Continued)

2016-005: Social Services Case Records (Continued)

Context: Based on inquiries and internal control walkthroughs performed, the above condition appears pervasive throughout all case records.

Cause: There was lack of due diligence and review to ensure items noted above were accurately recorded and documented.

Effect: Inadequate supervisory review, lack of clear delegation of responsibility, overwhelming and inequitable caseloads, lack of individual and unit meetings, untimely resolution and assignment of open referrals, and lack of adequate recordkeeping for case records results in the potential for error, fraud, or noncompliance with regulations, which could potentially remain undetected.

Recommendation: We recommend evaluating the staffing needs of the Department to ensure caseloads are reasonable, equitably distributed, and that each case can be properly managed and supervised. Supervisors should engage in periodic review of case records. Such case records should be complete and up to date. There should be a clear assignment of responsibility for all cases. Unit and individual case staffing sessions should occur on a regular basis. Open referrals should be resolved on a timely basis. A formal process should be put in place to address immediate referral needs as they occur when the assigned worker is away. Documentation for all case records should be current and complete.

View of responsible officials: The auditee agrees with these recommendations and has taken the necessary steps to prevent a recurrence.

2016-006: Special Welfare

Criteria: Internal controls over the administration of the Special Welfare program should be maintained to ensure compliance with program requirements. The requirements of the program include the following: Special Welfare funds should not be commingled with any other funds or accounts of the locality; all accounts with sustained balances should be interest bearing; Deposits should be made on a timely basis the same day funds are collected; adequate supporting documentation is to be maintained for all deposits; and withdrawals should be made from each child's account to reimburse the County for the cost of care such as daycare and boarding.

II. FINANCIAL STATEMENT FINDINGS (Continued)

A. Material Weaknesses in Internal Control (Continued)

2016-006: Special Welfare (Continued)

Condition: The Orange County Department of Social Services (Department) did not maintain adequate internal controls over the administration of Special Welfare funds. The lack of internal controls resulted in numerous compliance issues. Throughout the fiscal year, funds were not kept in a separate account as required, and were commingled with Michael's Gift funds. The Special Welfare accounts were maintained in non-interest bearing accounts and, therefore, no interest was allocated to the children as required, even though many had large balances throughout the year. In the beginning of the fiscal year, deposits were made only once or twice per month rather than daily and were not made on a timely basis. Documentation for deposits was handwritten and inadequate to support the amount deposited. Remittance stubs from the U.S. Department of the Treasury were not kept. Instead of reimbursing the County monthly from each child's account for the cost of that child's care, balances were allowed to accumulate over a period of years. This resulted in large balances to be paid out when the child reached 18 years of age. Although the practice at the Department is to now reimburse such balances to the U.S. Department of the Treasury, some balances were improperly paid to the child. It should be noted the above conditions were perpetrated under the direction of the prior Director of Social Services. Beginning July 31, 2015, a new Director was hired who has taken significant steps to remedy the above concerns and continues to implement policies and procedures to ensure compliance with related requirements.

Context: Based on inquiries and internal control walkthroughs performed, the above conditions appear pervasive throughout all special welfare accounts. Of the three children with balances during the year, all three balances were allowed to accumulate without properly reimbursing the County for the cost of care. Upon aging out of the program at age 18 during the year, $30,000 was reimbursed to the U.S. Department of the Treasury for two participants, and $5,000 was improperly reimbursed to a third participant.

Cause: There was lack of due diligence and review to ensure items noted above were accurately recorded, documented and in compliance with requirements of the Special Welfare Program.

Effect: Lack of proper record keeping and adequate supporting documentation for such deposits and withdrawals results in the potential for error, fraud, or noncompliance with regulations to remain undetected.

II. FINANCIAL STATEMENT FINDINGS (Continued)

A. Material Weaknesses in Internal Control (Continued)

2016-006: Special Welfare (Continued)

Recommendation: We recommend holding such funds in separate accounts as required. In order to be compliant with regulations, accounts should be interest bearing and such interest should be allocated to each child's balance proportionally. Deposits should be made timely on a daily basis. Adequate supporting documentation should be maintained for all deposits and withdrawals. We recommend additional supervisory review to ensure amounts are reimbursed to the County as required rather than accumulating or being paid directly to the child.

View of responsible officials: The auditee agrees with these recommendations and has taken the necessary steps to prevent a recurrence.

B. Significant Deficiency in Internal Control

2016-007: Proper Recognition of Grant Revenue

Criteria: Grant revenue related to reimbursement based grants should be recognized in the same period in which the eligible expenditures have been incurred and at which time all applicable eligibility requirements have been met.

Condition: During the course of our audit, it was noted the School Board failed to record revenue in the current fiscal year related to current fiscal year expenditures. Grant revenue was recorded on a cash basis and, therefore, was originally recorded as fiscal year 2017 grant revenue.

Context: Upon obtaining the original Schedule of Expenditures of Federal Awards (Schedule) provided, the Schedule was agreed to federal revenues and federal expenditures recorded in the general ledger in order to identify whether items were properly recorded. Reimbursement requests were examined to ensure proper cutoff was achieved and amounts recorded reflected activity of the current fiscal year. As a result of testing, an audit adjustment was made to correct $126,000 of unrecorded USDA donated food which must be reported as federal expenditures. Audit adjustments were made to properly record federal grant revenue and the related amounts due from other governments which were initially unrecorded, including $130,000 for Medicaid, $182,000 for Title I Part A, $121,000 for Title VI-B Preschool, $41,000 for Early Head Start, $32,000 for Title II, and $10,000 for Title III.

Cause: There was a lack of supervisory review of year end accrual entries which resulted in improper cutoff of recording amounts due from other governments.

II. FINANCIAL STATEMENT FINDINGS (Continued)

B. Significant Deficiency in Internal Control (Continued)

2016-007: Proper Recognition of Grant Revenue (Continued)

Effect: As a result, audit adjustments were required to properly record amounts due from other governments and federal grant revenues.

Recommendation: We recommend the School Board implement procedures to ensure all amounts due from other governments and federal grant revenues are properly recorded and proper cutoff is achieved. We recommend procedures be implemented to facilitate additional communications between the Finance Department and Grant Managers regarding the proper recording of grant revenues based on reimbursement requests.

View of responsible officials: The auditee agrees with these recommendations and has taken the necessary steps to prevent a recurrence.

C. Compliance Findings

2016-008: Bank Accounts Not Recognized as Public Funds by Qualified Public Depository

In conjunction with our audit in accordance with the *Specifications for Audits of Counties, Cities, and Towns*, issued by the APA of the Commonwealth of Virginia, we performed procedures to ensure that all bank accounts held by the County, including the Component Units, are identified as public deposits. Per Section 2.2-4407 of the *Code of Virginia*, all public deposits are required to be held in a qualified public depository in accordance with the Virginia Security for Public Deposits Act. Treasurers must ensure the qualified depository identifies the account(s) as public deposits.

However, in performing procedures to ascertain that all accounts of the County, including the Component Units, are included in qualified public depositories, and have properly been identified by the depository as "public funds," we noted that one bank account held by the County and one bank account held by the School Board were not identified as such.

We recommend action be taken to correct this noncompliance.

II. FINANCIAL STATEMENT FINDINGS (Continued)

C. Compliance Findings (Continued)

2016-009: Compliance with Unclaimed Property

The *Uniform Disposition of Unclaimed Property Act* sets forth procedures for unclaimed or abandoned property. For any government, all intangible property held for the owner that remains unclaimed for more than one year is presumed abandoned. Unclaimed property may consist of outstanding checks, utility deposits, tax refunds, unpaid wages, and any other tangible or intangible property. The *Uniform Disposition of Unclaimed Property Act* requires local governments to file an annual report with the State Treasurer listing all unclaimed property, the deadline for which is November 1st of each year for the preceding year ended June 30th. The unclaimed property report filed for the County and School Board was incomplete and did not contain all checks outstanding for greater than one year. Additionally, the report was not filed by the November 1st deadline.

We recommend all outstanding checklists be reviewed to identify all checks outstanding for greater than one year in order to ensure timely and complete reporting of unclaimed property.

2016-010: Social Services LASER Reconciliation to the General Ledger Not Completed

Per the *Specifications for Audits of Counties, Cities and Towns*, issued by the APA of the Commonwealth of Virginia, Chapters 3-15 Social Services section entitled *General Ledger Reconciliation*, "amounts reported in LASER must be reconciled monthly to be in compliance with Section 3.60, LASER Expenditure Reconciliation and Certification, of the *LDSS Finance Guidelines Manual for Local Departments of Social Service*." During the fiscal year 2016 audit, it was determined the monthly LASER amounts were not being reconciled to the General Ledger.

We recommend the County implement procedures to be in compliance with the specifications of the Auditor of Public Accounts.

2016-011: Compliance with Special Welfare Funds

Numerous requirements related to the administration of Special Welfare Funds are noted in the *Specifications for Audits of Counties, Cities and Towns*, issued by the APA of the Commonwealth of Virginia. In performing the audit, a lack of compliance was noted with many of these requirements (see finding 2016-006 for more detail on the compliance issues noted).

We recommend policies and procedures be implemented to ensure compliance with the administration of the Special Welfare Program. We recommend further review of the program and the related requirements, as well as additional oversight be performed by Management.

II. FINANCIAL STATEMENT FINDINGS (Continued)

C. Compliance Findings (Continued)

2016-012: Lack of Business Continuity Plan

Per the *Specifications for Audits of Counties, Cities and Towns*, Chapter 3-15 Social Services section entitled *Continuity of Operations*, "Each agency should have a documented Business Continuity Plan." Such as plan should be updated annually, establish continuity of operations procedures to address three types of disruptions, including loss of access to a facility (as in a fire), loss of services due to a reduced workforce (as in pandemic influenza), and loss of services due to equipment or systems failure (as in information technology systems failure). The plan should also prioritize recovery tasks and assign responsibilities and detail procedures to implement actions to continue essential functions within the recovery time objectives to maintain essential functions for up to 30 days. The Orange County Department of Social Services lacked a documented Business Continuity Plan as described above.

We recommend the agency develop such a plan to be in compliance with the specifications of the Auditor of Public Accounts, in an effort to properly address potential disaster recovery situations and maintain continuity of operations.

2016-013: Untimely Removal of Terminated User Access Privileges

According to the *Specifications for Audits of Counties, Cities and Towns*, Chapter 3-15 Social Services section entitled *Terminated Users*, "When a user leaves the LDSS (Local Department of Social Services), their access privileges must be immediately removed from all systems they were authorized to use," which is defined as "within three working days of employment termination." In testing the removal of access privileges of terminated employees, one employee who was terminated in November 2015 continued to have system access until May 2016. No termination and separation checklist was prepared to document the removal of the access rights. Additionally, no formal listing of terminated employees was able to be generated.

We recommend a termination and separation checklist be completed within three business days of each employee's termination in order to ensure compliance with this requirement. A formal listing of terminated employees should be retained to verify all employees have been removed as required.

II. FINANCIAL STATEMENT FINDINGS (Continued)

C. Compliance Findings (Continued)

2016-014: Information Systems Security Controls

In order to comply with the *Specifications for Audits of Counties, Cities and Towns*, Chapter 3-15 Social Services, the Local Security Officer at the Department of Social Services should be annually reviewing all employees' access to each application with employees' supervisors to ensure the access is properly aligned with job responsibilities, in addition to approval of initial access. The Department should also have documentation indicating employees and volunteers have acknowledged reading and understanding the VDSS Acceptable Use Policy. In testing compliance with information systems security controls, it was noted documentation of such forms and review is haphazardly completed and maintained. Of the forms tested, we noted employees with missing initial access request forms, missing annual IT access reviews, and missing annual acceptable use policy acknowledgements.

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

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

2016-015: Schedule of Federal Expenditures of Federal Awards

Criteria: *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* at 2 CFR 200 (Uniform Guidance) identifies the auditee's responsibilities for the compliance audit engagement. The Uniform Guidance states the auditee must prepare a Schedule of Expenditures of Federal Awards (Schedule) for the period covered by the auditee's financial statements, which must include the total federal awards expended as determined by 2 CFR 200.502. The Schedule provided should be final and free of material misstatements.

Condition: It was noted the School Board excluded federal expenditures from its Schedule received from various federal agencies, including the Department of Social Services and the Department of Education.

Context: Upon obtaining the original Schedule provided, the Schedule was agreed to federal revenues and federal expenditures recorded in the general ledger in order to identify whether items were properly recorded. Upon further investigation, it was determined the Schedule provided for audit was based on federal grant revenues received in the current year, instead of current year federal grant expenditures. Approximately $126,000 of USDA donated food revenue and expenditures were not recorded on the general ledger or reported on the Schedule. Audit adjustments were made to properly record federal grant revenue and the related amounts due from other governments which were initially unrecorded, including $130,000 for Medicaid, $182,000 for Title I Part A, $121,000 for Title VI-B Preschool, $41,000 for Early Head Start, $32,000 for Title II, and $10,000 for Title III. The Schedule was adjusted to properly reflect current year federal grant expenditures.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

2016-015: Schedule of Federal Expenditures of Federal Awards (Continued)

Cause: There was a lack of supervisory review of year end accrual entries which resulted in improper cutoff of recording amounts due from other governments. There was a lack of review of the Schedule, which is necessary to ensure the Schedule is complete, accurate, and reflects appropriate cutoff.

Effect: As a result of the omission of the expenditures, the Schedule was misstated for the year ended June 30, 2016. The improper reporting of expenditures can potentially lead to a decrease in funding received or the discontinuance of federal awards in the future.

Recommendation: We recommend the School Board perform the necessary processes and procedures to ensure all federal expenditures incurred are properly reported on its Schedule.

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

Identifying Number: 2016-001: Material Weakness Due to Material Audit Adjustments

Finding:

Upon auditing the year-end balances of the County, School Board, and Economic Development Authority, there were instances of material adjustments identified, including entries to restate prior periods.

Corrective Action Taken or Planned:

For Fiscal Year 16, there were material adjustments related to fixed assets within the County and each of its component units. Two years ago, fixed assets were converted from an Excel spreadsheet to a module within the County-wide ERP software. In working with asset records in the new software system, it became apparent to County staff that supporting documentation was not available for some of the previously recorded assets and that there were additional county-owned assets which had not been recorded upon their original acquisition. This information was brought to the attention of the auditors by staff and adjusting entries were made to correct the fixed asset records which resulted in material prior period adjustments. Due to the additional review of fixed asset records which has followed the conversion to new accounting software, additional adjustments of this type are not expected to be necessary in future years. All acquisition and/or disposition of fixed assets will be recorded in accordance with generally accepted accounting principles.

The County also had a material accounts payable adjustment for expenditures related to the purchase of two ambulances which were incorrectly recorded for Fiscal Year 16, even though the ambulances themselves were not delivered until early in Fiscal Year 17. The extended time period between placing the order and actually receiving the vehicles (in excess of one year), plus the fact that the invoices were dated prior to the actual physical delivery of the vehicles contributed to the incorrect recording of this expenditure as an accounts payable. To prevent a recurrence, proper criteria for recording accounts payable have been reviewed with the appropriate staff. The auditee also concurs with the auditors' recommendation for increasing the amount of review conducted for supporting schedules prior to the audit.

The School Board agrees with this finding and will implement the recommendations to the extent allowable given current administrative staffing levels and budgetary constraints. We will review our policies and procedures and implement controls to reduce instances of material adjustments.

Identifying Number: 2016-002: School Board Capital Lease Proceeds and Unrecorded Bank Account

Finding:

Upon auditing long-term liability balances at year end, it was determined the School Board had opened a new bank account but did not record it in the School Board's general ledger. The original cash escrow deposit of capital lease proceeds was not reflected in the general ledger, nor were the current year disbursements made for capital-related expenditures. Bank reconciliations were not performed for the bank account, and the bank account was not identified as a public deposit.

Corrective Action Taken or Planned:

We agree with this finding and have already corrected based on the recommendation. We will review our policies and procedures and make procedural changes to prevent this from occurring again in the future.

Identifying Number: 2016-003: Segregation of Duties over School Board Payroll and Accounts Payable

Finding:

In auditing the internal control over the School Board's payroll and accounts payable systems, it was determined each employee within the Finance Department is able to access and update the employee master file, as well as input time sheets into the system, and process payroll. Each employee also has access to update the vendor master file, create purchase orders, and process accounts payable.

Corrective Action Taken or Planned:

We agree with this finding and will implement the recommendations to extent allowable given current administrative staffing levels and budgetary constraints. We will review our policies and procedures and implement controls to reduce access to the employee master file and the vendor master file.

Identifying Number: 2016-004: Social Services Payroll

Finding:

Through December 2015, time cards were not maintained for Department employees working regular hours and were sporadically maintained for employees working on-call hours. Personnel files were not maintained for some employees and some personnel files were not current during the period under audit. Personnel Action Forms were not completed and maintained for payroll changes. Time and attendance records for employees were kept manually and not consistently completed and maintained. There was a lack of communication between the Assistant Director and Supervisors in the monitoring and management of employee time, attendance, and leave.

Corrective Action Taken or Planned:

The following actions were taken on or before January 1, 2016, to address the noted payroll concerns:

1. The County now processes DSS payroll and tracks DSS leave balances.
2. DSS now adheres fully to Virginia Department of Social Services HR policies, as well as Orange County HR policies where possible. In particular, the following are now maintained consistently for all DSS staff:

    - Timesheets and leave request forms (which are reviewed and signed by employee's supervisor)
    - Personnel files
    - Personnel action forms

3. DSS Supervisors are aware of their responsibility to monitor time, attendance, and leave for their respective staff and do so actively and consistently.

Identifying Number: **2016-005: Social Services Case Records**

Finding:

Through mid-fiscal year, case records were not routinely reviewed by Supervisors. For non-VIEW related child cases, it was noted such cases were managed by two Department employees sharing the same room without specific assignment. This created an accountability risk as the segregation of duties between the Department employees was unclear. Subsequent to year end, this unit was restructured. Previously, the service Supervisor carried a caseload. Due to this caseload burden, there was insufficient time for the Supervisor to provide scheduled supervision or conduct unit meetings, and neither regular unit meetings nor individual case staffing sessions were occurring. In addition, the caseload burden for staff was noted to be overwhelming and inequitably distributed, preventing staff from adequately servicing each case. A new organizational chart was implemented mid-fiscal year to properly distribute case loads and regular meetings are now being held. Through mid-fiscal year, case referrals persisted as open without timely resolution throughout the year. There was inadequate coverage granted for workers when away, resulting in lack of timely assignment of referrals. The Department consistently failed to maintain adequate documentation of case records in Oasis. Efforts have been made throughout the fiscal year to update Oasis files.

Corrective Action Taken or Planned:

1. The Services Unit has added additional Child Protective Services staff bringing the total staff in that unit to three. At the time of the review, there were three positions with only one of the positions being filled by a full time worker. That worker continues to provide CPS services, in addition to a staff member that has been here for approximately six months and has completed most training available, and a staff member that was added in February, 2017. Based on the two new staff members being recently added, the staff-to-case ratio is largely skewed towards the one worker that has seniority, as the two new staff are still being trained to do case-specific work. As a result of one staff member having a large case load, that unit is behind in OASIS data entry; however, critical deadlines for protective capacity in the field are met within a timely manner.

2. Currently we have over 50 children in Department custody. This is stretching the Foster Care unit beyond capacity with our two foster care workers being responsible for over 25 children each; more than double the recommended caseload. The agency has requested funding for a new senior level worker in this unit for FY18.

3. Currently the Adult Protective Services unit is functioning with two full time staff (one is currently on maternity leave). That unit is caught up with case contact in ASAPS.

4. The agency added a Foster Care Prevention unit approximately six months ago. This has reduced the number of cases the CPS and Foster Care unit are responsible for.

5. Until the Services Unit is fully staffed, it is unrealistic to take workers (who are already taxed for time) out of the field to have another meeting, thus unit meetings have not been held routinely; however, the need for them has been identified. Starting in March 2017, the services supervisor and the agency attorney have scheduled regular unit meetings, with the court calendar being discussed at least bi-monthly.

Identifying Number: 2016-005: Social Services Case Records (Continued)

Corrective Action Taken or Planned: (Continued)

6. In order to address the needs for case contacts to be entered in a timely manner, protected work time has been assigned to each worker for at least one hour per day. During protected time, Services staff must work solely on mandatory documentation and data entry. Most Services workers are utilizing their protected time. The primary CPS worker is finding it hard to be out of the field, however, is working towards utilizing more protected time as the new workers become more case competent.

7. Services supervisor has been monitoring the cases within each unit more readily.

Identifying Number: 2016-006: Special Welfare

Finding:

The Orange County Department of Social Services (Department) did not maintain adequate internal controls over the administration of Special Welfare funds. The lack of internal controls resulted in numerous compliance issues. Throughout the fiscal year, funds were not kept in a separate account as required, and were commingled with Michael's Gift funds. The Special Welfare accounts were maintained in non-interest bearing accounts and, therefore, no interest was allocated to the children as required, even though many had large balances throughout the year. In the beginning of the fiscal year, deposits were made only once or twice per month rather than daily and were not made on a timely basis. Documentation for deposits was handwritten and inadequate to support the amount deposited. Remittance stubs from the U.S. Department of the Treasury were not kept. Instead of reimbursing the County monthly from each child's account for the cost of that child's care, balances were allowed to accumulate over a period of years. This resulted in large balances to be paid out when the child reached 18 years of age. Although the practice at the Department is to now reimburse such balances to the U.S. Department of the Treasury, some balances were improperly paid to the child.

Corrective Action Taken or Planned:

1. As of January 1, 2016, all DSS funds were moved to interest-bearing, County-controlled bank account(s). DSS no longer has access to any bank accounts.

2. The Michael's Gift fund (balance $19,235.52) is still currently a "sub-fund" of the DSS Special Welfare account; however, arrangements have been made to transfer the funds to the Office of Youth before March 1, 2017.

3. The agency is not currently handling funds for any children (all applicable children "aged out" in 2015); however, agency staff and supervisors are now well aware of the requirements for handling and "paying out" such funds going forward.

4. Beginning in March 2016 the agency implemented a "receipts process" which required Special Welfare receipts be forwarded to the County Treasurer for deposit on a weekly basis. Based on feedback from the auditor, daily deposits are best practice but not mandatory and our current weekly deposit practice is acceptable given that it is documented and consistent with the VDSS Finance Manual.

5. Deposit backup is complete and readily available, deposits are logged in the agency financial system (Thomas Brothers) consistently, and the Treasurer's Office makes the actual deposits.

Identifying Number: 2016-007: Proper Recognition of Grant Revenue

Finding:

During the course of our audit, it was noted the School Board failed to record revenue in the current fiscal year related to current fiscal year expenditures. Grant revenue was recorded on a cash basis and, therefore, was originally recorded as fiscal year 2017 grant revenue.

Corrective Action Taken or Planned:

We agree with this finding and will implement the recommendations. We will review our policies and procedures and make procedural changes to record grant revenue in the proper fiscal period based on an accrual basis rather than cash basis.

Identifying Number: 2016-008: Bank Accounts Not Recognized as Public Funds by Qualified Public Depository

Finding:

In performing procedures to ascertain that all accounts of the County, including the Component Units, are included in qualified public depositories, and have properly been identified by the depository as "public funds," we noted that one bank account held by the County and one bank account held by the School Board were not identified as such.

Corrective Action Taken or Planned:

The County had one petty cash account which was not identified as "public funds" on bank records. This account was opened for the Office on Youth for incidental program-related expenses, and although the institution was a qualified bank (included on the list prepared by the Virginia Department of the Treasury), the account, itself was not listed as a "public funds" account. In addition, an account established for the disbursement of lease-revenue proceeds for the School Board was also not properly identified as "public funds". Appropriate staff and the Treasurer have been reminded of the requirement that all funds on deposit be identified as "public funds" in accordance with the Virginia Security for Public Deposits Act and each of the two accounts not properly identified at June 30, 2016 have now been designated as "public funds" by the depositories.

Identifying Number: 2016-009: Compliance with Unclaimed Property

Finding:

The unclaimed property report filed for the County and School Board was incomplete and did not contain all checks outstanding for greater than one year. Additionally, the report was not filed by the November 1st deadline.

Corrective Action Taken or Planned:

The unclaimed property report for Fiscal Year 15 was due on November 1, 2015, however it was filed two days later on November 3, 2015. In addition, it did not include all checks (for the County and also its component units) which had been outstanding for at least one year. A review of proper filing procedures and requirements has been conducted with appropriate staff and the Unclaimed Property report for Fiscal Year 16 was filed complete and on-time.

Identifying Number: 2016-010: Social Services LASER Reconciliation to the General Ledger Not Completed

Finding:

During the fiscal year 2016 audit, it was determined the monthly LASER amounts were not being reconciled to the General Ledger.

Corrective Action Taken or Planned:

The agency has always performed the monthly reconciliation between LASER and the agency's financial system, Thomas Brothers, in accordance with the VDSS Finance Manual. We continue to do the VDSS monthly reconciliation. However, when the County began issuing DSS checks in January 2016, the agency should also have begun doing a full monthly reconciliation between Laser and the County financial system, Munis. The agency is now aware of this additional requirement and is reconciling LASER to both financial systems.

Identifying Number: 2016-011: Compliance with Special Welfare Funds

Finding:

Numerous requirements related to the administration of Special Welfare Funds are noted in the *Specifications for Audits of Counties, Cities and Towns*, issued by the APA of the Commonwealth of Virginia. In performing the audit, a lack of compliance was noted with many of these requirements (see finding 2016-006 for more detail on the compliance issue noted).

Corrective Action Taken or Planned:

Please see response to 2016-006.

Identifying Number: 2016-012: Lack of Business Continuity Plan

Finding:

The Orange County Department of Social Services lacked a documented Business Continuity Plan.

Corrective Action Taken or Planned:

The agency Director is working with the County to develop this plan.

Identifying Number: 2016-013: Untimely Removal of Terminated User Access Privileges

Finding:

In testing the removal of access privileges of terminated employees, one employee who was terminated in November 2015 continued to have system access until May 2016. No termination and separation checklist was prepared to document the removal of the access rights. Additionally, no formal listing of terminated employees was able to be generated.

Corrective Action Taken or Planned:

Due to staff turnover, this responsibility was transitioned several times in a 24-month period and the turnover led to the observed oversights. The Office Manager has since assumed responsibility for these tasks, has completed applicable training, has ensured that terminated staff have been removed from all systems, and is completing the staff separation checklist consistently per VDSS requirements.

Identifying Number: 2016-014: Information Systems Security Controls

Finding:

In testing compliance with information systems security controls, it was noted documentation of such forms and review is haphazardly completed and maintained. Of the forms tested, we noted employees with missing initial access request forms, missing annual IT access reviews, and missing annual acceptable use policy acknowledgements.

Corrective Action Taken or Planned:

As noted in 2016-013, due to staff turnover, this responsibility was transitioned several times in a 24-month period and the turnover led to the observed oversights. The Office Manager has since assumed responsibility for these tasks, has completed applicable training, and is abiding by VDSS IT policies.

However, due to workload, the FY17 annual user access review is in progress but overdue – the Office Manager expects to complete this review for all staff by March 1, 2017.

As of June 2016, VDSS has incorporated the annual use policy acknowledgment into the mandatory annual IT training; failure to complete the annual training and acknowledgment results in suspension of a user's system access, thus ensuring that staff remain current on IT training and the use acknowledgments.

Identifying Number: **2016-015: Schedule of Federal Expenditures of Federal Awards**

Finding:

Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards at 2 CFR 200 (Uniform Guidance) identifies the auditee's responsibilities for the compliance audit engagement. The Uniform Guidance states the auditee must prepare a Schedule of Expenditures of Federal Awards (Schedule) for the period covered by the auditee's financial statements, which must include the total federal awards expended as determined by 2 CFR 200.502. The Schedule provided should be final and free of material misstatements. It was noted the School Board excluded federal expenditures from its Schedule received from various federal agencies, including the Department of Social Services and the Department of Education.

Corrective Action Taken or Planned:

We agree with this finding and will implement the recommendations. We will review our policies and procedures and make procedural changes based on the recommendation and the guidance provided by 2 CFR 200.502.

Identifying Number: 2011-001: Segregation of Duties (Material Weakness)

Finding:

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. Proper segregation of duties has not been established in functions related to system access, bank reconciliations, payroll, accounts receivable, cash disbursements, and journal entries.

Corrective Action Taken or Planned:

The auditee concurs with this recommendation and takes steps to improve the segregation of duties whenever possible within the limitations of existing staffing levels.

Identifying Number: 2015-002: Material Adjustments (Material Weakness)

Finding:

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:

1. 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.

2. 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.

Corrective Action Taken or Planned:

For Fiscal Year 15, two material adjustments were necessary for the financial statements to be in compliance with generally accepted accounting principles. The first involved a capital asset (Force Main Sewer Pump Station #C00209) that had been acquired in 2009 and depreciated over 5 years, when the actual useful life should have been 50 years. The asset had been acquired when another auditing firm was keeping the County's capital asset records by spreadsheet. It was part of the existing capital asset records that were imported into the Munis capital asset module in Fiscal Year 14, but the error in useful life was not discovered until Fiscal Year 15. As part of the Fiscal Year 15 year-end, a review of useful lives was performed and several additional (although less material) adjustments were made. All new assets have since been assigned useful lives in accordance with the accounting policies outlined in the notes to the financial statements.

The second material adjustment for Fiscal Year 15 was related to the accrual of the "June" Anthem invoice for health insurance administration and claims. In previous years, the County had accrued the entire invoice as a June payable even though a large portion represented a pre-payment for claims yet to be reported. In addition, a calculation of "incurred but not reported (IBNR)" claims was prepared and also accrued as a prior year expense. In Fiscal Year 15, it was determined that the IBNR included the same claims that would have been included in the June prepayment therefore, accruing both was a duplication. In Fiscal Year 16, only the IBNR calculation was included as a liability at June 30th. The pre-payment made as part of the "June" invoice was not accrued.