

# 2017 COMPREHENSIVE ANNUAL FINANCIAL REPORT

*for the year ended June 30, 2017*



  
**ORANGE COUNTY**  
NORTH CAROLINA

Photo credit:  
"Sunset at Maple View Farm"  
By Charles R. Sheppard II

**ORANGE COUNTY, NORTH CAROLINA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**Prepared by:**  
**Department of Finance & Administrative Services**

**Submitted by:**  
**Gary Donaldson, CTP**  
**Chief Financial Officer**

**ORANGE COUNTY, NORTH CAROLINA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2017**

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## INTRODUCTORY SECTION

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## ORANGE COUNTY

### Department of Finance and Administrative Services

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200 S. Cameron Street, PO Box 8181, Hillsborough, NC 27278 | Tel 919.245.2453 | Fax 919.644.3324

December 12, 2017

The Board of County Commissioners,  
Bonnie Hammersley, County Manager  
Residents of Orange County, North Carolina

Laws of the State of North Carolina, along with policies and procedures of the North Carolina Local Government Commission, require that all local governments in the State publish a complete set of financial statements annually. The financial statements must be presented in conformity with accounting principles generally accepted in the United States of America ("GAAP") and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. Pursuant to those requirements, I hereby issue the comprehensive annual financial report ("CAFR") of Orange County for the fiscal year ended June 30, 2017.

This report consists of management's representations concerning the finances of Orange County. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the County has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the County's financial statements in conformity with GAAP. Since the cost of internal controls should not outweigh their benefits, the County's internal control structure has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The County's financial statements have been audited by Mauldin & Jenkins, CPA, a firm of licensed certified public accountants. The audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor rendered an unmodified opinion that the County's financial statements for the fiscal year ended June 30, 2017, are fairly presented in conformity with GAAP. This opinion can be found at the beginning of the financial section of this document. In addition to the independent audit of the financial statements, the County is required to undergo an annual "Single Audit" designed to meet the special requirements of federal grantor agencies. Information regarding this audit is submitted in the Compliance Sections of this report and includes the schedules of expenditures of federal and state awards and findings and questioned costs and the independent auditors' reports on the internal control structure and on compliance.

GAAP 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. The County's MD&A can be found immediately following the report of independent auditors.

## **COUNTY PROFILE**

Orange County, founded in 1752, is located in the north-central portion of North Carolina, approximately midway between Washington, DC and Atlanta, GA. The County is part of the Raleigh/Durham/Chapel Hill Metropolitan Statistical Area, which also includes the Research Triangle Park, a major complex of research and research-oriented manufacturing facilities.

The County operates under a Commissioner-Manager form of government. The governing body of the County is the Board of County Commissioners, which formulates policies for the administration of the County. In addition, the Board annually adopts a balanced budget and establishes a tax rate for the support of the County's programs. The Board consists of seven commissioners, elected on a staggered basis for terms of four years. The County Manager is appointed by, and serves at the pleasure of the Board as the County's Chief Executive Officer. The County Manager has appointive and removal authority over department heads and employees of the County. The County Manager is responsible for the daily operations of the County Government. In addition, the Manager's responsibilities include implementation of policies established by the Board of Commissioners, as well as the administration of the annual budget adopted by the Board.

The County provides a wide range of services, including public safety, human services (Social Services, Health and Aging), and funds for education, cultural and recreational activities, general administration functions and others. This CAFR includes all funds and account groups of the County including all activities considered to be part of (controlled by or dependent on) the County. In the fiscal year ended June 30, 1995, the County implemented Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity*, amended by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*. As a result, the Orange County ABC Board is reported as a discretely presented component unit of the County.

The budget serves as the foundation for Orange County's financial planning and control. As required by the North Carolina Budget and Fiscal Control Act, the County adopts an annual budget for all governmental funds except those authorized by project ordinance that are multi-year in nature. Appropriations to the various funds are formally budgeted on a functional basis. The County Manager is authorized to approve appropriation transfers within all functions. The County Commissioners must approve transfers that alter the total appropriation of any functional category or fund, including the multi-year project funds. However, for expenditure control purposes the budget is monitored and controlled on a departmental level.

## **FACTORS AFFECTING FINANCIAL CONDITION**

The information presented in the financial statements is best read and understood when considered within the context and broader perspective of the economic environment within which the County operates.

The County's economy is characterized by a high degree of institutional and public-sector activity, office, commercial and service-oriented businesses. The County is the place of residence for many technical, professional and executive people who work in the Research Triangle Park (the "Park") and neighboring cities of Durham, Raleigh, and Burlington. The Research Triangle refers to an area located among three municipalities: Chapel Hill, Durham and Raleigh. The Park, located 10 miles east of the County, contains nearly 7,000 acres of land which have been reserved for research and research-oriented manufacturing. The Park is located between three major universities, the University of North Carolina at Chapel Hill, Duke University in Durham and North Carolina State University in Raleigh, and is home to more than 250 private and government organizations including Biogen IDEC, Cisco, Credit Suisse, Fidelity Investments, GlaxoSmithKline, IBM, National Institute of Environmental Health Sciences, NetApp, Nortel, Syngenta, U.S. Environmental Protection Agency and RTI International. The companies and organizations in the Park employ approximately 50,000 full-time equivalent employees. Because of its close proximity to the County, the impact of the Park on the County's economy is significant.

According to the Orange County Economic Development Commission, the leading industries in the County are educational, health and social services, professional, scientific, management, administrative and waste management services and arts, entertainment, recreation, accommodation and food services. The County's primary occupations are management, professional and related occupations, sales and office occupations and service occupations. Manufacturing and agriculture are lesser portions of the County's economy.

An industrial strip adjacent to Interstate Highway 85 in the western portion of the County is the location of several manufacturing firms. This area is the projected location for future growth of industrial and commercial entities. In addition to this area, the County designated over 2,450 acres in three strategically designated areas adjacent to Interstates 85 and 40 as Economic Development Districts. The County's location, midway between the Piedmont Triad and Research Triangle metropolitan areas, makes these sites extremely attractive. The districts offer development potential for light industrial, warehouse/flex space, office, retail and business service. Numerous tracts, ranging in size from 20 to 100 acres or more, are available.

The County is seeking to spur economic development by providing funds through the Article 46 Sales Tax to finance the development of utility extensions for commercial entities in its Economic Development Districts. The County uses the Article 46 Tax to provide a portion of the upfront water and sewer infrastructure costs for businesses locating in these districts.

**Fiscal Outlook.** The adopted General Fund Budget for fiscal year ending June 30, 2018 totals \$219.6 million which represents a 1.8% increase over the Fiscal Year 2016-17 adopted budget. The County budget maintains its commitment to public schools by earmarking one-half of the County's Fiscal Year 2017-18 General Fund Revenues for education which is consistent with previous fiscal years. Funding appropriated for education totaled \$105.2 million in the fiscal year 2017-18 adopted budget. The County completed a revaluation of real property that aligns assessed values for tax purposes with the current market value of property within the County. The revaluation increased the tax base by 6% which brought assessed values to \$17.9 billion. The State statute requires counties to publish a revenue neutral rate following a revaluation of the tax base. The revenue neutral rate is the tax rate that produces a similar amount of property tax revenue had a revaluation not occurred. The revenue neutral tax rate was determined to be \$0.8377 per \$100 of assessed valuation. The Fiscal Year 2017-18 General Fund Budget assumes \$1.5 million in new property tax revenues due to new construction and new personal property. The Board adopted the revenue neutral tax rate as the property tax rate for Fiscal Year 2017-18 and appropriated \$9.8 million of fund balance in the Fiscal Year 2017-18 budget. The Board remains committed to stable fund balance levels to counter stagnant revenues and unforeseen emergency expenditures.

The Article 46 one-quarter Sales Tax was approved by Orange County voters at a November 2011 voter referendum, and became effective April 1, 2012. A Special Revenue Fund was established to account for the Article 46 Sales Tax. The Board approved a ten-year commitment which authorized equal distribution of this sales tax to support education and economic development. Fifty percent of the one-quarter sales tax is allocated to both County school systems on an average daily membership basis to fund capital projects. The other fifty percent is allocated to economic development initiatives including supporting water and sewer infrastructure funding in the County's three economic development districts. The Article 46 sales tax revenue is budgeted at \$3.5 million for fiscal year 2017-18.

The County has an extensive ten-year Capital Investment Plan to provide public safety upgrades, school facilities, government facilities, affordable housing, parks and recreation, information technology, water and sewer in the Economic Development Districts, and various equipment purchases. Pursuant to a November 2016 bond referendum, the County will issue General Obligation bonds to fund its two school systems; the Chapel Hill-Carrboro City Schools and Orange County Schools improvements and affordable housing land banking projects. The bond referendum authorized \$120 million in School bonds and \$5 million in Affordable housing bonds. The County expects to complete its voter approved General Obligation debt issuances by fiscal year 2022.

Fiscal Policy. The County continues to demonstrate strong financial management as a result of its financial policies which have enabled the County to remain financially resilient through prior economic recessions and any uncertainties in Federal and State funding. The Board and County Manager acted during the year to contain expenditures within the authorized appropriation levels.

The County's debt service as a percentage of the budget remains below the 15% of General Fund expenditures limit, which is the goal the County strives to maintain. The current General Fund unassigned fund balance is 17% of General Fund expenditures as of June 30, 2017 in conformance with the Board adopted policy. The County's required reserve by state statute adds to the available fund balance.

#### **AWARDS AND ACKNOWLEDGEMENTS**

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to Orange County for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016. This marks the seventeenth consecutive year that Orange County has received this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such reports must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The County also received the GFOA's award for Distinguished Budget Presentation for its 2017 annual budget document. This is the 26th year that the award has been presented to the County. In order to qualify for this award, the County's budget document was judged proficient in several categories including policy documentation, financial planning and organization. The Budget Division believes the fiscal year 2017 budget continues to conform to program requirements and is submitting it to the GFOA to determine eligibility for another award.

Orange County departments and respective employees are deeply committed to the goals, vision and mission statement of the County government. This is evidenced by the high quality of service delivery to the residents of the County. I appreciate the collaborative nature of each County department in assisting in the preparation of this report and ongoing support in executing the daily financial activities of the Department of Finance and Administrative Services. I would like to extend my sincere gratitude to members of the Department of Finance and Administrative Services for their professionalism, hard work, and diligence in contributing to the preparation of this financial report. Special recognition is extended to Paul Laughton, Deputy Finance Director, Howard Fitts, Senior Accountant, and Pascal Moore, Accountant for their tireless effort and commitment that they have exhibited throughout the report preparation process and to Mauldin & Jenkins and their associates, Certified Public Accounts for their assistance.

I would like to thank the Board of County Commissioners, County Manager Bonnie Hammersley and Deputy County Manager Travis Myren for their vision and leadership in contributing to Orange County's strong financial position.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Gary Donaldson". The signature is fluid and cursive, with the first name "Gary" written in a smaller, more compact script than the last name "Donaldson".

Gary Donaldson, CTP  
Chief Financial Officer

## The County Economy

### General Description

The County is located in the North-Central Piedmont section of North Carolina between the Research Triangle Park and the Piedmont Triad. The County is midway between Washington, D.C. and Atlanta, Georgia. Orange County is approximately 401 square miles in area, of which approximately 177 square miles are unincorporated, 39 square miles are farmland, 132 square miles are forested, and 53 square miles are urbanized.

Source: [Orange County Economic Development](#)

Orange County is comprised of four municipalities: Hillsborough, Chapel Hill, Carrboro, and a portion of Mebane. The University of North Carolina at Chapel Hill, the oldest State-supported University in the United States, is located in the County. The County is a diverse community mixed with historic sites, scenic rural areas and excellent healthcare and higher education facilities.

Source: [Orange County Economic Development](#)

Exhibit 1 indicates the historical population trend for the County. The North Carolina Office of State Planning population metrics shows that the County population has increased 3.6% the past five years.

Source: [Orange County Economic Development](#)

**Exhibit 1:  
Orange County Population**

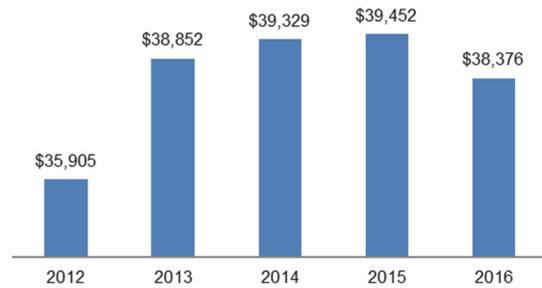
Year	Population
2012	138,330
2013	139,694
2014	139,933
2015	140,144
2016	143,264

Source: North Carolina Office of State Planning

### General Economic Indicators

Exhibit 2 indicates Real Gross Domestic Product (GDP) which is a prominent economic indicator for measuring performance of the economy. The Durham-Chapel Hill Metropolitan Statistical area is the best proxy for Orange County.

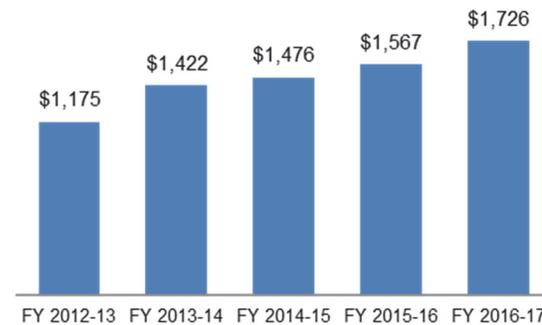
**Exhibit 2:  
Durham-Chapel Hill Real GDP\***  
in millions



Source: [United States Bureau of Economic Analysis](#)

Exhibit 3 indicates Gross Retail Sales which is a reliable indicator of consumer spending activity. Gross Retail Sales has increased 47% from Fiscal Year 2012-13 to Fiscal Year 2016-17.

**Exhibit 3:  
Gross Retail Sales**  
in millions

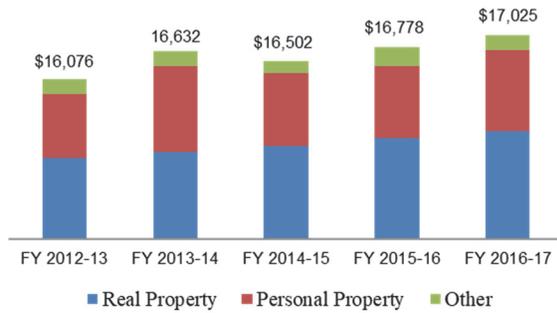


Source: [North Carolina Department of Revenue](#)

### Tax Base

Exhibit 4 indicates the change in the tax base (assessed valuation) the past five fiscal years. The tax base has remained stable. The County tax base is 80% residential and 20% commercial with most of the population and commercial base concentrated in the southern region in the Towns of Chapel Hill and Carrboro.

**Exhibit 4:**  
**Assessed Valuations**  
in billions



Source: Tax Administration

Exhibit 5 indicates the ten principal taxpayers which account for approximately 2.8% of totaled assessed valuation or \$483,288,625. The principal taxpayers are from the following industries: Public Utility, Apartment Rental, Office/Retail, Condominiums, and Hotels.

Source: [Orange County Financial Services](#)

**Exhibit 5:**  
**Principal Taxpayers**

Taxpayers	Industry	Assessed Valuation
Duke Energy	Public Utility	\$123,282,070
Piedmont Electric Membership	Public Utility	\$57,253,751
Public Service Company of NC	Public Utility	\$50,065,533
State Employees Credit Union	Financial Services	\$46,610,653
Northwestern Mutual Life	Apartment Rental	\$38,849,493
Madison University Mall	Retail Outlet	\$37,185,569
East 54	Retail	\$35,239,900
Sports Endeavor	Retail	\$34,971,027
DBS Eurosport	Retail	\$34,971,027
Morinaga America Foods	Office/Retail	\$32,082,577
Europa Center	Hotel and Office Rental	\$27,748,052
<b>Total</b>	-	<b>\$483,288,625</b>
Percentage of Assessed Value	-	2.8%

Source: Tax Administration

## **Employment and the Economy**

### **Demographics**

The County is home to the University of North Carolina at Chapel Hill and UNC Health Care, which are major employment sources in the County.

Exhibit 6 indicates the economic and employment diversity in the County. The County's predominant occupations are in educational services, healthcare and social assistance, and retail trade sectors. Industry sectors such as Agriculture, Utilities, and Management of Companies and Enterprises comprise small portions of the Orange County Industry Structure.

**Exhibit 6:**  
**Industry Structure**

Industry	Employment
Agriculture, Forestry, Fishing, and Hunting	254
Mining	21
Utilities	257
Construction	1,713
Manufacturing	1,661
Wholesale Trade	873
Retail Trade	6,722
Transportation and Warehousing	615
Information	1,063
Finance and Insurance	1,106
Real Estate, Rental, and Leasing	896
Professional and Technical Services	3,129
Management of Companies and Enterprises	499
Administrative and Waste Services	1,239
Educational Services	25,026
Health Care and Social Assistance	16,676
Arts, Entertainment, and Recreation	844
Accommodation and Food Services	6,308
Other Services, Ex. Public Administration	2,471
Public Administration	2,661

Source: Orange County Economic Development

The County economy is characterized by a high degree of institutional and public-sector activity, office, commercial and service-oriented businesses. The County is the place of residence for technical, professional and executive professionals who work in the Research Triangle Park (the "Park") and neighboring cities of Durham, Raleigh, and Burlington.

Exhibit 7 indicates the major employers in the County. The County's major employers has remained relatively consistent in the education, health services, manufacturing, trade, transportation, and utilities sectors.

**Exhibit 7:  
Major Employers**

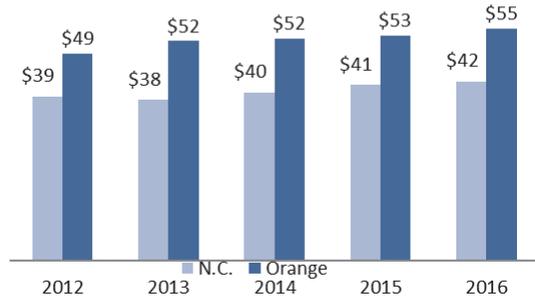
1,000+ Employees	UNC Chapel Hill
	UNC Health Care System*
	Chapel Hill-Carrboro City Schools*
	Orange County Schools*
	Orange County*
500 to 999 Employees	Town of Chapel Hill*
	General Electric Corp
250 to 499 Employees	Eurosport*
	UNC Physician Network LLC*
	Wal-Mart
	Harris Teeter
	AKG of America Inc
	PHE, Inc*
	The Chapel Hill Residential
	Food Lion
	Weaver Street Market, Inc.*
	Performance Chevrolet, Inc.
	Wellspinning Grocery
	A Southern Season
	Aramark Food & Support Services
	100 to 249 Employees
Carolina Inn	
Town of Carrboro*	
US Postal Service	

\*Headquartered in the County  
Source: Orange County Economic Development

**Personal Income**

Exhibit 8 indicates the County’s per capita personal income which has consistently been well above both the state and national averages.

**Exhibit 8:  
Per Capita Personal Income**  
in thousands

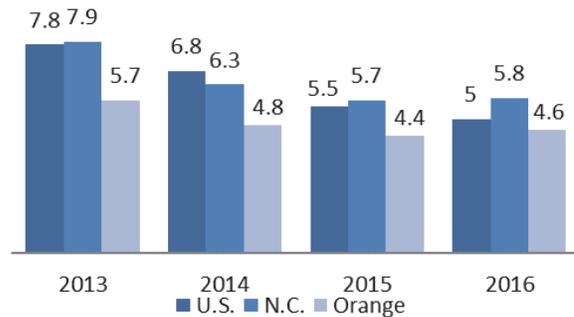


Source: Bureau of Economic Analysis

**Employment**

Exhibit 9 indicates the average monthly unemployment rates for each of the past five fiscal years. As noted on the chart, the County’s unemployment rate has consistently been below the state and national rates.

**Exhibit 9:  
Unemployment Rates**  
Average % for Each Calendar Year



Source: Bureau of Labor Statistics

Exhibit 10 indicates new residential construction by type, which illustrates that the construction sector recovery from the last recession has been sustained. New residential construction increased by 127% from 2012 to 2016.

**Exhibit 10:  
New Residential Construction by Type**

Year	Apartments	Single Family	Multi Family	Total
2012	48	112	16	128
2013	0	125	8	133
2014	0	182	26	208
2015	123	241	39	280
2016	208	228	62	290

Source: Orange County Permits and Inspections Department

Exhibit 11 indicates building permit activity which illustrates performance of the construction sector within the County.

**Exhibit 11:  
Number and Value of Building Permits  
Issued within County and Municipalities**

Year	Permits	Residential	Non-Residential
2013	4479	\$120,195,811	\$123,771,794
2014	3878	\$160,628,677	\$71,129,212
2015	4075	\$255,541,888	\$66,669,016
2016	2255	\$167,716,985	\$50,470,923
2017	2259	\$134,633,829	\$40,157,058

Source: Orange County Permits and Inspections Division

### Housing Market

Exhibit 12 indicates the average home sale price in the County the past five years in comparison to the Case-Shiller National Home Price Index. Chapel Hill, a municipality in Orange County, is the highest priced major housing market in the Triangle Region. The Orange County housing market has remained relatively consistent with the Case-Shiller U.S. National Home Price Index. Average home sales price in Orange County has continued to increase with the average home sales price at \$354,306 as of December 31, 2016.

### Other Key Data

#### Education

The County funds two school districts; Chapel Hill-Carrboro City School District and Orange County School District.

Exhibit 13 indicates the total budgeted students in both school districts for the past five academic years.

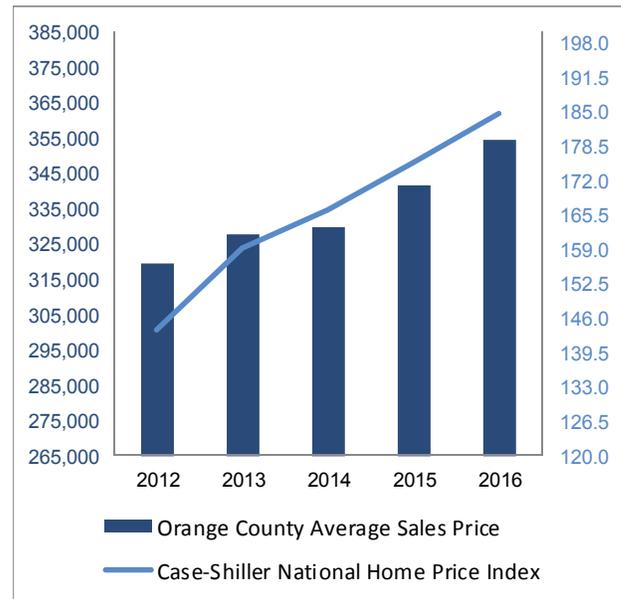
**Exhibit 13:  
Total Budgeted Students**

Year	Chapel Hill-Carrboro City Schools	Orange County Schools	Total
2013-14	12,242	7,666	19,908
2014-15	12,339	7,863	20,202
2015-16	12,239	7,801	20,040
2016-17	11,993	7,966	19,959
2017-18	12,160	8,072	20,232

Source: Department of Public Instruction, March Planning Figures

A seven-member Board of Education is the policy-making authority of Orange County School District and an eight member Board of Education for Chapel Hill-Carrboro City School District.

**Exhibit 12:  
Average Orange County Home Sale Price  
Versus Case-Shiller National Home Price Index**



Source: [Triangle MLS](#) and [S&P/Case Shiller U.S. National Home Price Index](#)

Board of Education members are elected to four-year staggered terms on a non-partisan basis. Administrative responsibility is vested in an appointed superintendent who serves as chief executive officer.

Each Board of Education relies upon the County for local funds needed to support public school current expense and capital outlay needs.

Each Board of Education must present their current expense and capital outlay budget requests to the County by April 30 each year.

Appropriations to the Board of Education are discussed in the County's budget hearings and the approved amount for the schools is appropriated in the County's operating budget adopted by July 1.

Exhibit 14 indicates County per pupil appropriation the past ten years. The County has consistently maintained among the highest per pupil appropriations of any county in North Carolina.

**Exhibit 14:  
Historical Per Pupil Appropriation**

Year	Per Pupil Appropriation	Annual % Increase
2006-07	\$2,957	5.8%
2007-08	\$3,069	3.8%
2008-09	\$3,200	4.3%
2009-10	\$3,096	-3.3%
2010-11	\$3,096	0.0%
2011-12	\$3,102	0.19%
2012-13	\$3,167	2.1%
2013-14	\$3,269	3.2%
2014-15	\$3,571	9.2%
2015-16	\$3,697.50	3.5%
2016-17	\$3,868	4.6%
2017-18	\$3,991	3.2%

Source: Orange County Finance and Administrative Services

**Chapel Hill-Carrboro City Schools District**

The Chapel Hill-Carrboro City School District (CHCCS) comprises ten elementary schools, four middle schools, three high schools and a school for students being treated at UNC Chapel Hill Hospital. Chapel Hill-Carrboro City Schools has the highest average SAT score in the state and its high schools have been recognized in national publications for its excellent academic performance.

**Orange County Schools District**

Orange County School District comprises seven elementary (one year-round school of choice), three middle schools, two high schools and an alternative school. Orange County Schools offers an International Baccalaureate Diploma for advanced students. Orange County Schools states itself to be the “First Choice for Families”.

**Graduation Rates**

Exhibit 15 indicates graduation rates for Chapel Hill-Carrboro City Schools and Orange County in comparison to the National averages.

As illustrated graduation rates for both Chapel Hill-Carrboro School District and Orange County School District are above the state and national average.

**Exhibit 15:  
Graduation Rates**

System	Rate
Chapel Hill-Carrboro City	90%
Orange County	89%
North Carolina	86%
United States	83%

Source: [National Center for Educational Statistics](#) and [North Carolina Department of Public Instruction](#)

Exhibit 16 indicates the most available College and University enrollment data within the County. The County offers the opportunity to attend an exceptional community college or State university.

**Exhibit 16:  
Student Enrollment at Higher Education Facilities**

Institution	2015	2016
UNC- Chapel Hill	29,135	29,084
Durham Technical Community College*	1,621	1,521

Source: [UNC Chapel Hill](#) and Durham Technical Community College

The University of North Carolina at Chapel Hill (UNC) is the nation’s oldest State university, with a rich history of more than two centuries. UNC is one of the State’s top and most progressive institutions of teaching, research, and public services. The campus covers approximately 730 acres and provides education to more than 29,000 students. UNC has earned a reputation as one of the best public university investments and is one of the leading research universities. UNC-Chapel Hill’s doctoral programs include Bio-medical sciences, Dentistry, Physics, Education, and Chemistry. The University of North Carolina also includes top ranked Medical and Law Schools.

Durham Technical Community is situated on 20 acres within the County. The college curriculum includes a Nursing Assistant program, Adult Education programs, and English as a Second Language courses. The County funds a scholarship program for Orange County high school students who enroll in Durham Technical Community College immediately following High School graduation. This scholarship program is funded from Article 46 sales tax proceeds.

Exhibit 17 indicates educational attainment within the County. The County is ranked as 7th in the United States with the greatest percentage of residents with graduate degrees and 14th in the greatest percentage of people with bachelor's degrees. The presence of the University of North Carolina at Chapel Hill is a primary factor for the County's highly educated labor force.

Source: [United States Census Data on Educational Attainment by County](#)

### Exhibit 17:

#### Educational Attainment

Population 25 years and over in 2015

Highest Education Level	Orange	N.C.	U.S.
Did Not Graduate High School	7.9%	13.4%	12.8%
High School Graduate	16.6%	26.4%	27.6%
Some College, No Degree	13.0%	21.5%	20.7%
Associate's Degree	6.0%	9.2%	8.2%
Bachelor's Degree	24.4%	18.9%	19.0%
Graduate Degree or Higher	32.1%	10.6%	11.6%

Source: [United States Census](#)

### Medical

Orange County residents have access to top quality medical services. According to the [Robert Wood Johnson Foundation](#), Orange County is highly rated in North Carolina for Health Factors based on health behaviors, clinical care, social and economic factors, and the physical environment.

The County is predominantly served by UNC Hospitals, a public, academic medical center. The Hospitals' mission is to provide high quality patient care, to educate health care professionals, to advance research and to provide community service. UNC Hospitals was established in September 1952 under the name North Carolina Memorial Hospital.

Exhibit 18 indicates the medical facilities located in the County and their respective licensed bed capacities as per the most available data.

### Exhibit 18:

#### Hospitals in Orange County

Hospital	Licensed Beds
UNC Medical Center	900
UNC Hillsborough Campus	86

Source: [UNC Health Care](#)

There are seven other hospitals within 30 miles of Orange County including the following: NC Specialty Hospital, Duke University Hospital, Durham Regional Hospital, U.S. Veterans Medical Hospital, Alamance Regional Hospital, Chatham Hospital, and Person Memorial Hospital.

### Transportation

Orange County is strategically located on the I-85/I-40 corridors. The County is served by Interstate Highways 40 (I-40) and 85 (I-85); by U.S. Highways 15, 70, and 501; and by N.C. Highways 49, 54, 57, 86, and 751. Major expansion, maintenance, and improvements of primary and secondary highways within the County are primarily the responsibility of the State. Each of the four municipalities within the County bears the primary responsibility for public streets within its limits. The County has no financial obligation regarding road construction or maintenance.

Orange County Public Transportation provides transit and commuting options for Orange County residents. Public transit services are offered for the general public, seniors, persons with disabilities, and providing non-emergency medical transportation for Medicaid recipients. The Hillsborough Circulator Route connects major destinations throughout Hillsborough and is free to all passengers. The Orange-Chapel Hill Connector Route connects major destinations in Hillsborough, Chapel Hill and Cedar Grove in Northern Orange County. Two additional routes expanding to the Efland-Hillsborough Commuter Loop and the Orange-Alamance Midday Connector are planned.

The Towns of Chapel Hill and Carrboro provide their residents with buses primarily serving students at the University of North Carolina at Chapel Hill. The County is a member of the Research Triangle Regional Public Transportation Authority which is referred to as Go Triangle. Go Triangle is a regional public transportation offering public transit and vanpool services in the Triangle Region and adjacent counties.

Source: [Orange County Public Transportation](#)

Orange County is approximately 20 miles east of the Raleigh Durham International Airport (RDU Airport). RDU Airport has passenger service to 38 destinations with an average of 352 daily arrivals and departures. RDU airport is served by 8 major airlines including American Airlines, Delta Air Lines, JetBlue Airways, United Airlines, and Frontier Airlines.

Source: [Raleigh-Durham International Airport](#)

Amtrak offers direct service to 56 cities from nearby Raleigh. The Silver Star provides daily service to Richmond, Washington, New York, Miami, and many points in between. The Carolinian travels daily between Charlotte and New York City, with stops in Raleigh, Richmond, Washington, DC, Baltimore and Philadelphia. The Piedmont makes daily trips between Raleigh and Charlotte.

Source: [Orange County Economic Development](#)

### **Culture and Recreation**

Music, history, and art offerings abound throughout the County. Hikes through the Riverwalk in Hillsborough and strolls down Franklin Street in Chapel Hill offer unique ways to discover North Carolina. The Ackland Art Museum, Eno Gallery, and Frank Gallery offer an array of visual arts and bring special exhibits and local art to the eye of County. UNC's Memorial Hall, Cat's Cradle, the Arts Center, DSI Comedy Theater, and the Forest Theater showcase the artistic, theatrical, and musical expressions of renowned artists. The North Carolina Botanical Gardens, Montrose Gardens, Woodcrest Farms, Oconeechee Mountain State Natural Area, and Eno State River Park showcase the natural beauty of the County.

The County offers nearly every sport and recreational endeavor for its residents. The County's park facilities include tennis courts, play grounds, swimming pools, soccer fields, ball parks, picnic areas, biking, hiking, canoeing, a skate park, and dog parks. The Orange County Sportsplex offers additional recreational activity. The Sportsplex hosts many events such as swim meets, skating competitions, hockey tournaments, and triathlons. Per the Orange County Capital Investment Plan, the Sportsplex hosts over 700,000 visitors each year.

The Orange County recreation center offers many courses for youths and adults alike. Each year, summer and spring break camps are offered, which include basketball, tae kwon do, and general summer camps. Children and adults are able to take art, cooking, and computer education courses. The center offers a variety of sports leagues and classes, as well as Tai Chi classes.

### **Four Municipalities**

Orange County consists of four incorporated towns: Chapel Hill, Hillsborough, Carrboro and a portion of Mebane. Each is unique and, together, they are the perfect blend of cosmopolitan culture and energy with the relaxation of rural life.

The Town of Chapel Hill, or as locals call it, "the Southern part of heaven," is probably best known as the home of the University of North Carolina, the nation's first state university and an institution that is continually recognized for having one of the best undergraduate programs in the U.S. As a result, the town's culture blends college town, quaint Southern charm and fine dining, shopping and entertainment.

The Town of Carrboro was founded nearly a century and a half ago. The town's rustic charm still remains, with both the original rail station and the textile mill listed on the National Register of Historic Places. Carrboro features a downtown that offers unique shopping and dining, a growing arts community and a reputation for great farmer's markets.

The Town of Hillsborough was founded over 250 years ago and was once the colonial capital of North Carolina. Hillsborough now serves as the County seat of Orange County. The town boasts over one hundred late 18th and 19th century structures and is listed on the National Register of Historic Places. The town's residents enjoy charming shops and restaurants and many activities celebrating the arts and history being held almost daily.

The City of Mebane's namesake is Brigadier General Alexander Mebane, a Revolutionary War officer and later, a United States Congressman. The city of Mebane is at the center of one of the fastest growing areas in North Carolina, offering the conveniences of city life with all of the escape opportunities that city dwellers often seek; the mountains are just three hours to the west and the coast, just three hours to the east.



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North Carolina**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2016**

*Christopher P. Morrill*

Executive Director/CEO

# Board of County Commissioners



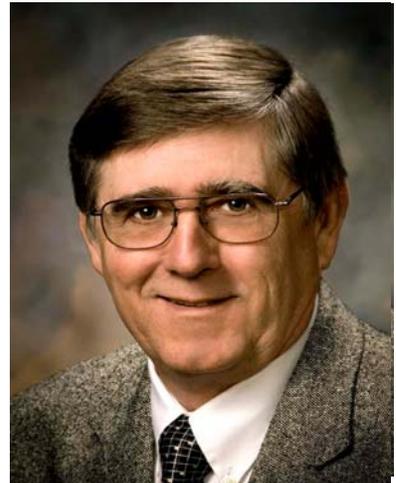
Mark Dorosin, Chair



Penny Rich, Vice-Chair



Mia Burroughs



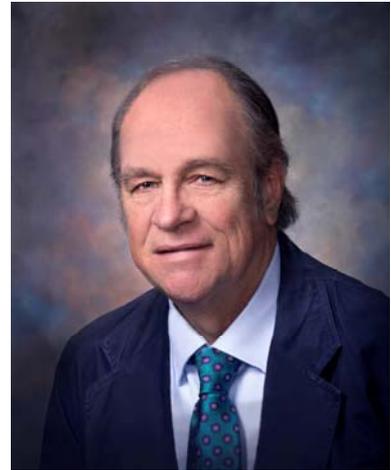
Earl McKee



Barry Jacobs



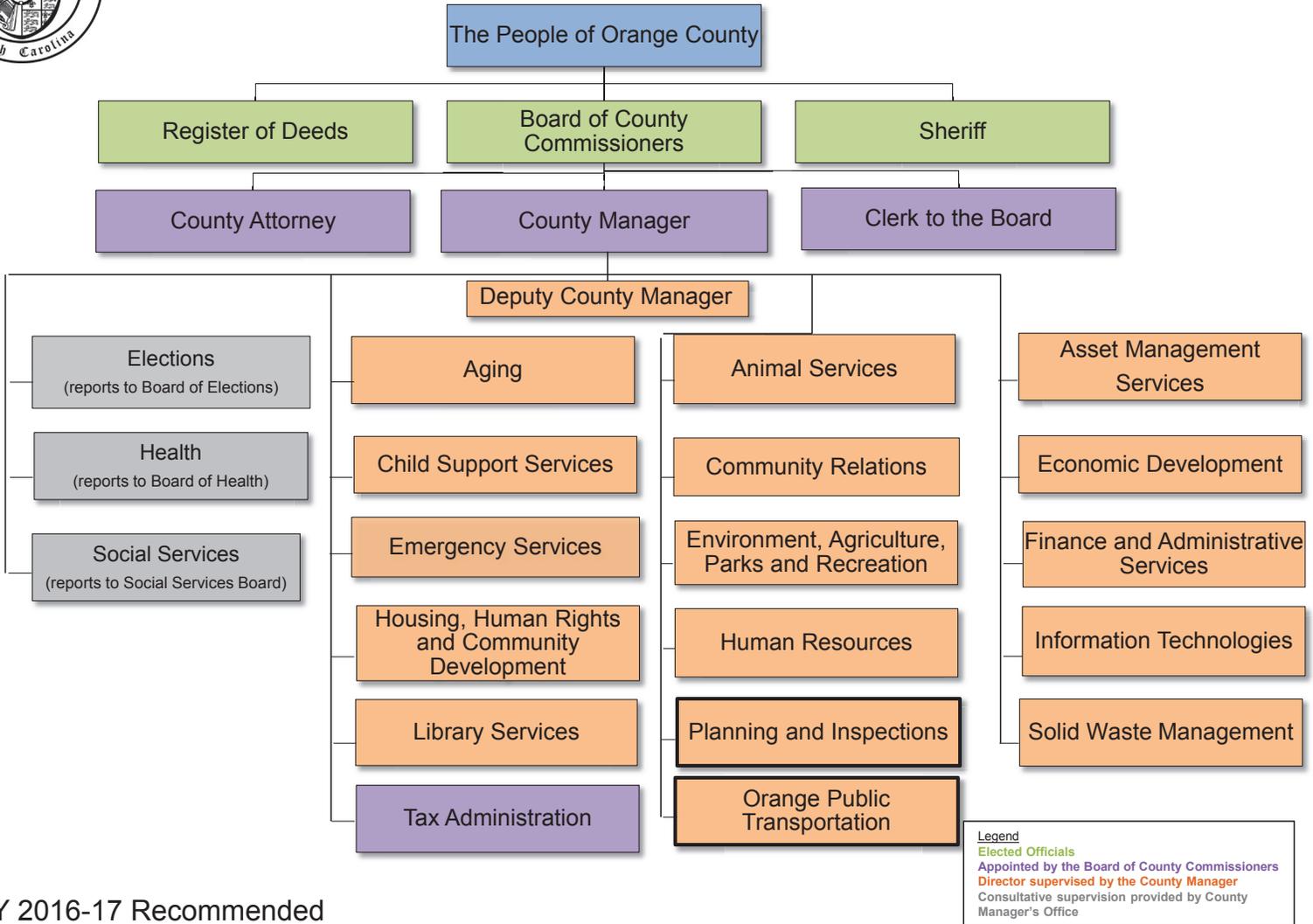
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# Orange County Government

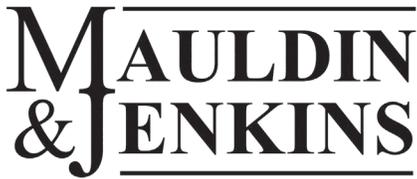


FY 2016-17 Recommended



## FINANCIAL SECTION

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## INDEPENDENT AUDITOR'S REPORT

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**Members of the Board of Commissioners  
Orange County, North Carolina**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of **Orange County, North Carolina (the "County")**, as of and for the year ended June 30, 2017, 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 did not audit the financial statements of the Orange County ABC Board, which represents 100% of the assets, net position, and revenues of the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Orange County ABC Board, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Orange County ABC Board were not audited in accordance with *Government Auditing Standards*.

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

---

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

***Opinions***

In our opinion, based on our audit and the report of the other auditors, 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of Orange County, North Carolina as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Notes 9 and 14, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* as of July 1, 2016. This standard significantly changed the accounting for the County's total pension liability and related disclosures for certain pension plans. As discussed in Note 10, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans* as of July 1, 2016. This standard significantly changed the disclosure for the County's OPEB Plan. Our opinions are not modified with respect to these matters.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Other Postemployment Benefits Schedule of Funding Progress, the Schedule of Changes in the County's Net OPEB Liability and Related Ratios – OPEB Plan, the Schedule of County Contributions – OPEB Plan, the Schedule of OPEB Investment Returns – OPEB Plan, the Schedule of Changes in Total Pension Liability – LEOSSA, the Schedule of Total Pension Liability as a Percentage of Covered Payroll – LEOSSA, the County's Proportionate Share of Net Pension Liability (Asset) – LGERS, the Schedule of the County's Contributions – LGERS, the County's Proportionate Share of Net Pension Liability (Asset) – Register of Deeds Supplemental Pension Fund, and the Schedule of the County's Contributions – Register of Deeds Supplemental Pension Fund, on pages 4-12, 83, 84, 85, 86, 87, 88, 89, 90, 92, and 93, 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.

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*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, the combining and individual fund statements and schedules, the statistical section, and the schedule of expenditures of federal and state awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the State Single Audit Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and schedules and the schedule of expenditures of federal and state awards (the "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 supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's 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.

*Mauldin & Jenkins, LLC*

Atlanta, Georgia  
December 12, 2017

As management of the County, we offer readers of Orange County's (the "County") financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2017. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

### **Financial Highlights**

The liabilities and deferred inflows of resources of the County exceeded its assets and deferred outflows of resources at the close of the fiscal year by \$4.4 million (net position). In accordance with North Carolina law, liabilities of the County include approximately \$81 million in long-term debt associated with assets belonging to the Orange County Board of Education and the Chapel Hill-Carrboro City Board of Education. As these assets are not reflected in the County's financial statements and the full amount of the long-term debt is reflected in the County's financial statements, the County reports a net deficit in net position.

The government's total net position increased by \$5.8 million. This increase is attributed to revenues exceeding expenses and strong cost containment measures.

As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$105.7 million, a decrease of \$2.1 million in comparison with the prior year. This results primarily from the use of General Fund balance in the current year. The General Fund ending fund balance includes \$9.8 million of assigned fund balance for subsequent year's expenditures. The General Fund total ending fund balance of \$62.7 million includes \$34.5 million of unassigned fund balance.

The unassigned General Fund ending fund balance of \$34.5 million represented 16.8% of total General Fund expenditures for the fiscal year.

Orange County maintains the highest credit quality, with bond ratings of AAA (Fitch IBCA), Aaa (Moody's Investor Services) and AAA (Standard & Poor's) on its general obligation bonds.

### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements. The basic financial statements present two different views of the County through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the County.

### **Basic Financial Statements**

The first two statements in the basic financial statements are the **Government-Wide Financial Statements**. They provide both short and long-term information about the County's financial status.

The next statements are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the County's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements:

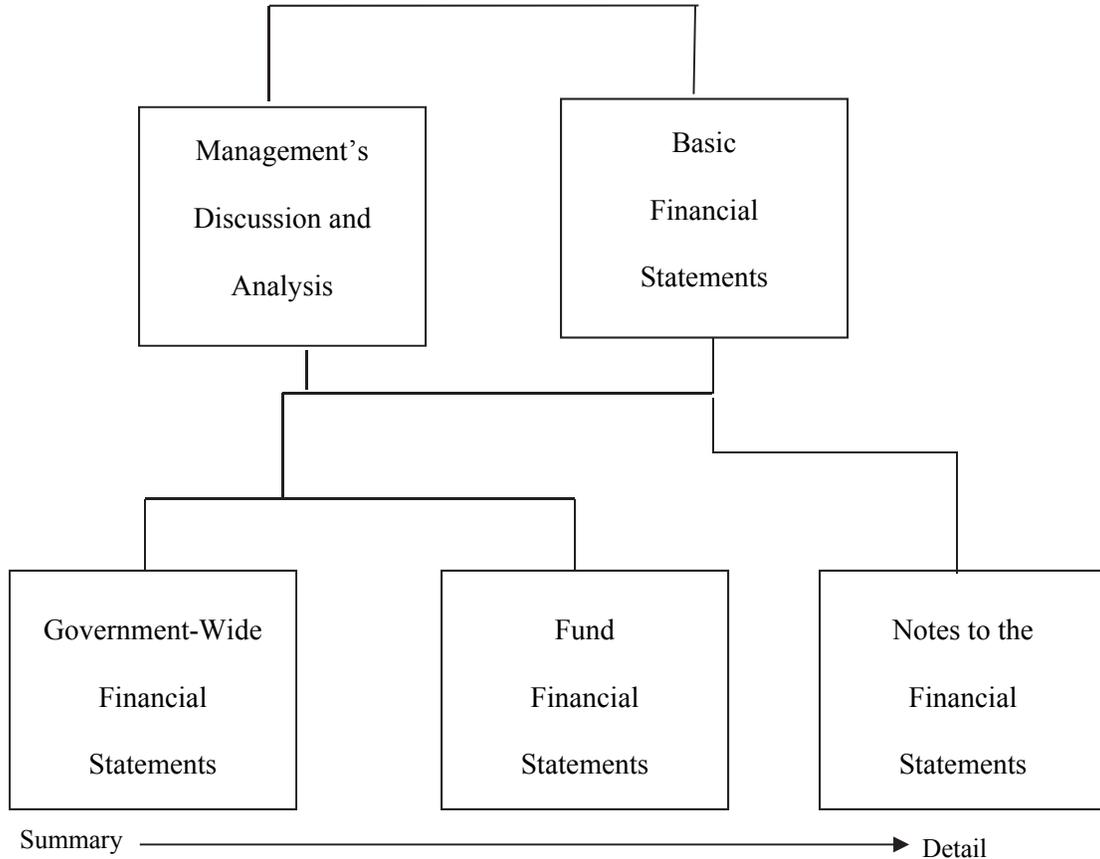
- 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements and 4) the fiduciary fund statements.

The next section of the basic financial statements is the **notes to the basic financial statements (notes)**. The notes explain in detail some of the data contained in those statements. After the notes, supplemental information is provided to show additional details about the County's major and nonmajor governmental funds, proprietary and internal service funds, all of which are added together in one column on the basic financial statements. Budgetary information required by the General Statutes also can be found in this part of the statements.

### **Government-Wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the County's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the County's financial status as a whole.

**Required Components of Annual Financial Report**  
**Figure 1**



The two government-wide statements report the County's net position and how they have changed. Net position is the difference between the County's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the County's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the County's basic services, such as general administration, taxation and records, community planning, community maintenance, human services, education, public safety, and public works. Property and other taxes and Federal and State grant funds finance most of these activities. The business-type activities are those that the County charges customers to provide a related service. These include the sewer

and landfill services and recreational services offered by the County. The final category is the component units. Although legally separate from the County, the ABC Board is important to the County because the County exercises control over the Board by appointing its members and because the Board is required to distribute its profits to the County.

The government-wide financial statements are on pages 13 through 15 of this report.

**Fund Financial Statements**

The fund financial statements provide a more detailed look at the County's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related

legal requirements, such as the General Statutes or the County's budget ordinance. All of the funds of the County can be divided into three categories: governmental, proprietary, and fiduciary funds.

**Governmental Funds**

Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the County's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called modified accrual accounting, which provides a current financial resources focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the County's programs. The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The County adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the residents of the County, the management of the County, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The budgetary statements provided for the General Fund demonstrate how well the County complied with the budget ordinance and whether or not the County succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statements use the budgetary basis of accounting and are presented using the same format, language, and classifications as the Statement of Revenues, Expenditures, and Changes in Fund Balance. The statement shows four columns: 1) the original budget as adopted by the Board; 2) the final budget as amended by the Board; 3) the actual resources, charges to appropriations, and ending

balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

**Proprietary Funds**

The County has two kinds of proprietary funds. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its sewer activity, for its landfill operations, and SportsPlex operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities. Internal service funds are an accounting device used to accumulate and allocate costs internally among the functions of the County. The County uses internal service funds to account for three activities - its employee health and dental insurance program and its vehicle replacement program. Because these operations benefit predominantly governmental rather than business-type activities, the internal service funds have been included within the governmental activities in the government-wide financial statements.

**Fiduciary Funds**

Fiduciary funds are used to account for assets the County holds on behalf of others. The County's fiduciary funds consist of twelve agency funds and an OPEB Trust Fund.

**Notes to Basic 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 basic financial statements are on pages 24-82 of this report.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the County's progress in funding its obligation to provide pension benefits and other post-employment benefits to its employees. Required Supplementary Information can be found beginning on page 83 of this report.

## Management's Discussion and Analysis (Unaudited)

	Governmental Activities		Business-Type Activities		Total	
	2017	2016-Restated	2017	2016-Restated	2017	2016-Restated
<b>Assets:</b>						
Current and other assets	\$ 119,411,957	\$ 123,000,752	\$ 17,525,331	\$ 14,720,825	\$ 136,937,288	\$ 137,721,577
Capital assets	102,685,820	103,109,718	16,363,678	17,262,534	119,049,498	120,372,252
Total assets	<u>222,097,777</u>	<u>226,110,470</u>	<u>33,889,009</u>	<u>31,983,359</u>	<u>255,986,786</u>	<u>258,093,829</u>
Deferred Outflows	14,763,863	3,457,953	832,007	208,835	15,595,870	3,666,788
<b>Liabilities:</b>						
Long-term liabilities	243,506,822	240,372,093	21,856,666	18,475,315	265,363,488	258,847,408
Other liabilities	8,580,812	9,569,881	889,494	1,419,034	9,470,306	10,988,915
Total liabilities	<u>252,087,634</u>	<u>249,941,974</u>	<u>22,746,160</u>	<u>19,894,349</u>	<u>274,833,794</u>	<u>269,836,323</u>
Deferred inflows	1,088,906	1,970,127	32,742	94,558	1,121,648	2,064,685
<b>Net Position:</b>						
Net investment in capital assets	29,924,257	23,190,053	6,883,243	7,462,618	36,807,500	30,652,671
Restricted	29,529,217	36,911,846	-	-	29,529,217	36,911,846
Unrestricted	<u>(75,768,374)</u>	<u>(82,445,577)</u>	<u>5,058,871</u>	<u>4,740,669</u>	<u>(70,709,503)</u>	<u>(77,704,908)</u>
Total net position	<u>\$ (16,314,900)</u>	<u>\$ (22,343,678)</u>	<u>\$ 11,942,114</u>	<u>\$ 12,203,287</u>	<u>\$ (4,372,786)</u>	<u>\$ (10,140,391)</u>

As noted earlier, net position serves, as one useful indicator of a government's financial condition. The liabilities and deferred inflows of resources of the County exceeded assets and deferred outflows of resources by \$4.4 million as of June 30, 2017. Net position is reported in three categories: Net investment in capital assets of \$36.8 million, restricted net position of \$29.5 million, and unrestricted net deficit of \$70.7 million.

The net investment in capital assets category is defined as the County's net investment in County-owned capital assets (e.g. land, buildings, automotive equipment, office and other equipment, and sewer lines). The County uses these capital assets to provide services to residents; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. At June 30, 2017, the net investment in capital assets increased by \$6.1 million.

The final category of net position is unrestricted net position. This balance may be used to meet the government's ongoing obligations to residents and creditors. At June 30, 2017, the total net deficit reported of \$4.4 million is attributable to the unrestricted net deficit balance of (\$70.7) million, which results primarily from the debt financing related to school system assets.

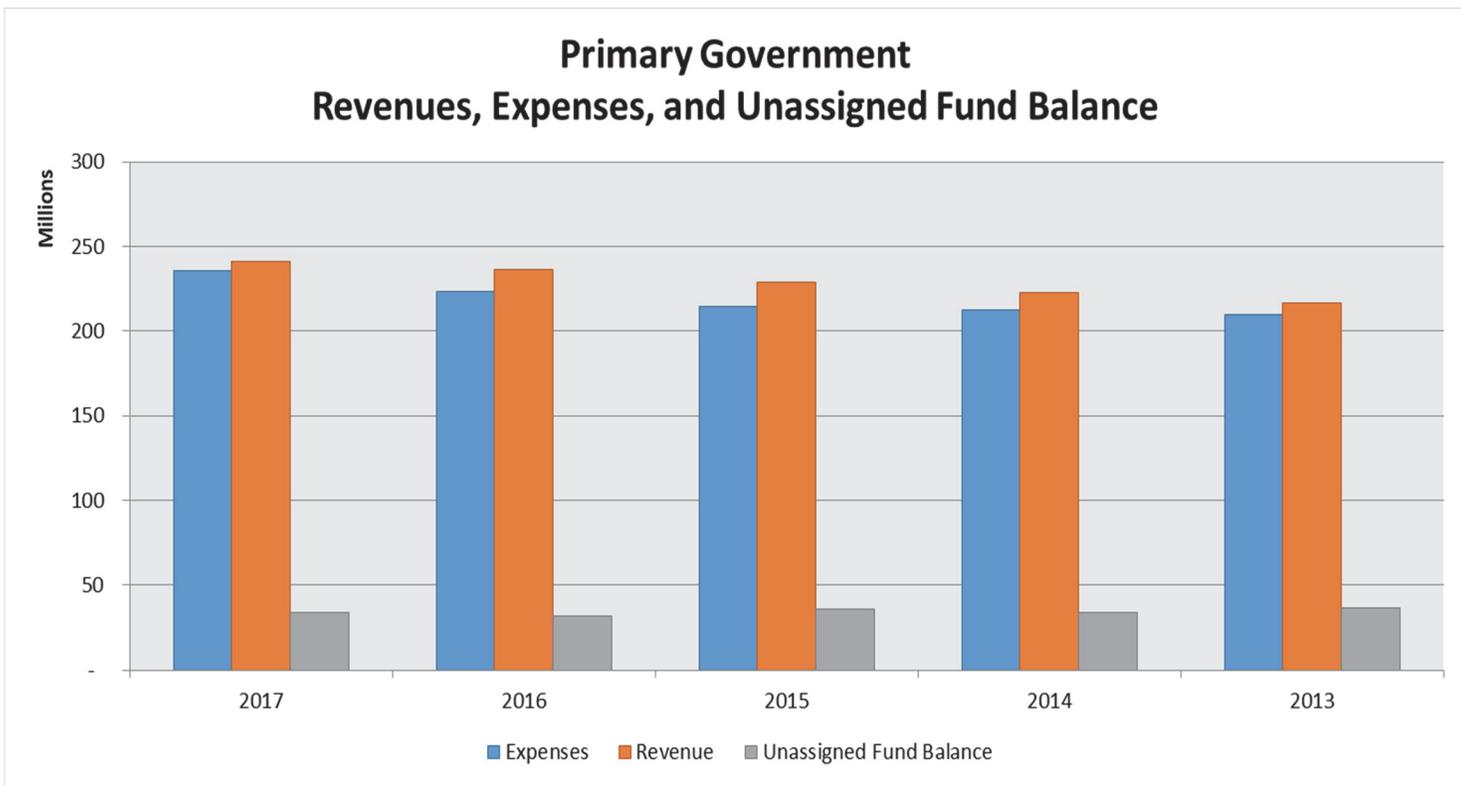
Consistent with other counties in the State of North Carolina, the County's deficit in unrestricted net position is due primarily to the portion of the County's outstanding debt incurred for the two school systems located within the County. Under North Carolina law, the County is responsible for providing capital funding for the school systems. The County has chosen to meet its legal obligation to provide the school systems capital funding by using a combination of County funds, general obligation debt, and installment financing. It is important to note, that the assets funded by the County are owned and utilized by the school systems. The County is the issuing government for school system debt but acquires no capital assets; therefore the County has incurred a liability without a related increase in assets. At the end of the fiscal year, approximately \$81 million of the outstanding debt on the County's financial statements was related to assets included in the school systems' financial statements. The majority of this school system related debt is general obligation debt, which is secured and pledged by the full faith, credit, and taxing power of the County. The County is authorized and required by State law to levy ad valorem taxes, without limit as to rate or amount to pay the debt service on its general obligation bonds. Principal and interest requirements will be provided by an appropriation in the year in which such requirements are due and payable. The majority of the non-general obligation debt is repaid from sales taxes earmarked for school capital, education lottery proceeds, and ad valorem property taxes allocated to school capital.

**Management’s Discussion and Analysis (Unaudited)**

As noted earlier, the government's total net position increased by \$5.8 million. This increase resulted from a combination of an increase in revenues in governmental activities and an increase in expenses. The business-type activities provided a decrease to net position of \$261,173. In addition, the following positive operational initiatives and results are noted:

- The County’s continued diligence in the collection of property taxes by maintaining a collection percentage of approximately 99%, higher than the State-wide average of 97%.
- Sales tax revenue, which is the second largest revenue source, increased by approximately \$1.4 million from the prior fiscal year to \$24.4 million.

- The County continued to lead the State in per pupil funding for education.
- The unassigned fund balance in the County's General Fund reflected an increase of \$1.7 million from the prior fiscal year. The county continues to exercise fiscal discipline and strong management controls in managing the operating budget throughout the fiscal year. The County’s unassigned fund balance level provides a financial cushion to mitigate unforeseen changes in the economic and business climate and decreased revenues.



## Management's Discussion and Analysis (Unaudited)

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Revenues:</b>						
Program Revenues:						
Charges for services	\$ 16,424,044	\$ 15,778,566	\$ 11,861,307	\$ 11,719,530	\$ 28,285,351	\$ 27,498,096
Operating grants and contributions	26,044,125	26,418,629	-	-	26,044,125	26,418,629
Capital grants and contributions	1,000,233	1,059,278	-	-	1,000,233	1,059,278
General Revenues:						
Property Taxes	155,565,259	153,059,233	-	-	155,565,259	153,059,233
Other Taxes	29,522,796	27,712,231	-	-	29,522,796	27,712,231
Other	618,793	267,113	261,713	162,555	880,506	429,668
<b>Total Revenues</b>	<b>229,175,250</b>	<b>224,295,050</b>	<b>12,123,020</b>	<b>11,882,085</b>	<b>241,298,270</b>	<b>236,177,135</b>
<b>Expenses:</b>						
Community Services	14,528,306	11,798,260	-	-	14,528,306	11,798,260
General Government	17,268,682	22,439,461	-	-	17,268,682	22,439,461
Human Services	45,058,561	46,087,661	-	-	45,058,561	46,087,661
Education	97,196,824	85,679,979	-	-	97,196,824	85,679,979
Public Safety	29,634,987	28,476,942	-	-	29,634,987	28,476,942
Interest on long-term debt	3,311,756	3,933,332	-	-	3,311,756	3,933,332
Support Services	14,579,007	11,344,246	-	-	14,579,007	11,344,246
General Services	-	-	-	-	-	-
Community and Environment	-	-	-	-	-	-
Cultural and Recreation	-	-	-	-	-	-
Landfill	-	-	10,197,990	10,280,177	10,197,990	10,280,177
Sewer	-	-	399,818	430,846	399,818	430,846
Sportsplex	-	-	3,354,734	3,420,624	3,354,734	3,420,624
<b>Total Expenses</b>	<b>221,578,123</b>	<b>209,759,881</b>	<b>13,952,542</b>	<b>14,131,647</b>	<b>235,530,665</b>	<b>223,891,528</b>
Increase/decrease in net position before transfers	7,597,127	14,535,169	(1,829,522)	(2,249,562)	5,767,605	12,285,607
Transfers	(1,568,349)	(1,834,548)	1,568,349	1,834,548	-	-
Increase/Decrease in net position after transfer	6,028,778	12,700,621	(261,173)	(415,014)	5,767,605	12,285,607
<b>Net Position:</b>						
Beginning of year - July 1	(22,343,678)	(32,451,864)	12,203,287	11,200,104	(10,140,391)	(21,251,760)
Restatement	-	(2,592,435)	-	1,418,197	-	(1,174,238)
<b>Total net position</b>	<b>\$ (16,314,900)</b>	<b>\$ (22,343,678)</b>	<b>\$ 11,942,114</b>	<b>\$ 12,203,287</b>	<b>\$ (4,372,786)</b>	<b>\$ (10,140,391)</b>

### **Governmental Activities.**

Governmental activities increased the County's net position by \$6.0 million.

Key elements of this increase are as follows:

- Increased property tax revenue
- Increased sales tax revenue
- Increased charges for services

### **Business-Type Activities**

Business-type activities decreased the County's net position by only \$261,173.

### **Financial Analysis of the County's Funds**

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

### **Governmental Funds**

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the County's financing requirements. Specifically, available fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$34.5 million or 16.8% of General Fund expenditures, while total fund balance equaled \$62.7 million or 30.6% of General Fund expenditures. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures and transfers out. Unassigned fund balance represents 16.2% of total General Fund expenditures and transfers out, while the total fund balance represents 29.4% of General Fund expenditures and transfers out.

General Fund revenues are \$208.4 million or \$2 million higher than the final amended budget. General Fund revenues increased by \$4.2 million from the prior fiscal year. Property tax revenue comprises 72% of General Fund budgeted revenue. Property tax increased by \$1 million compared to the final budget primarily due to new construction activity. Sales tax revenue, the second largest revenue, increased by \$2.3 million compared to the final budget due to continued improvement in consumer spending activity. Intergovernmental revenue, the third largest revenue, decreased by \$1.8 million in pass-through funds attributed to the State directly funding Child Day Care programs. Charges for services and investment earnings were higher than budget.

General Fund expenditures are \$205.1 million or \$10.9 million lower than the final amended budget. General Fund expenditures increased by \$7 million from the prior fiscal year. General Fund expenditures, without financing uses were 4.8% under budget, which is consistent with the prior fiscal year at 5.1% below budget. This is attributed to management's commitment to effectively manage the operating budget by directing departments to reduce non-essential expenditures.

The County Capital Improvement Fund reflects an increase in fund balance of \$5.6 million. The increase in the County Capital fund balance is primarily the result of installments note proceeds in the amount of \$9.3 million.

The School Capital Improvement Fund reflects a decrease in fund balance of \$5.9 million. The school capital project fund decrease was primarily the result of capital expenditures on School projects for the County's two school districts.

As of June 30, 2017, the non-major governmental funds of the County reported a combined fund balance of \$15.0 million, a slight decrease of \$86,167 from the prior year. The non-major governmental funds consists of Article 46 ¼ cents sales taxes, fire district property taxes, visitors bureau occupancy taxes, housing grant revenue and impact fee revenue.

### **General Fund Budgetary Highlights**

The fiscal year 2016-17 original budget totaled \$214.9 which represents a 4% increase over the FY 2015-16 adopted budget. The County has continued its commitment to public schools earmarking approximately one-half of General Fund revenues for Education, which is consistent with prior fiscal years. The Board adopted and maintained a property tax rate of \$0.878 per \$100 of assessed valuation. The County support of schools represents 51.1% of General Fund revenues which provides \$3,868 per pupil for each of the 19,959 students in the two school systems. This represents a \$170.50 per pupil increase from the \$3,697.50 per pupil approved for fiscal year 2015-16. The County annual appropriation to education places the County at the top of the rankings for per pupil expenditures among the 100 North Carolina counties. The County budget included a 3% wage increase for County employees.

The County generally amends the budget during the fiscal year. County budget amendments are delineated in one of four categories:

- 1) amendments to revise estimates original budget ordinance and amounts based on new information;
- 2) carryover of funding for outstanding purchase orders at year-end related to significant commitments and projects;
- 3) amendments to recognize new funding amounts from external sources, such as Federal and State grants; and
- 4) amendments to increase appropriations to fund and maintain service delivery requirements.

### **Proprietary Funds**

The County's proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Unrestricted net position in the proprietary funds at the end of the fiscal year amounted to \$5.1 million. As previously indicated, the decrease in net position for the proprietary funds was \$261,000. The SportsPlex Fund reported the majority of the increase, with an increase in net position of \$121,000. The Solid Waste Landfill Fund reported the majority of the decrease, with a decrease of \$307,000.

## Management's Discussion and Analysis (Unaudited)

### The County Capital Assets (Net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 14,501,148	\$ 13,077,443	\$ 1,619,059	\$ 2,237,356	\$ 16,120,207	\$ 15,314,799
Land improvements	4,949,636	4,949,636	615,889	633,900	5,565,525	5,583,536
Water resources						
- Lake Orange	481,624	481,624	-	-	481,624	481,624
Buildings	54,941,117	57,884,902	9,282,705	9,753,898	64,223,822	67,638,800
Leasehold improvements	2,132,281	2,302,864	-	-	2,132,281	2,302,864
Sewer lines	-	-	2,105,584	2,192,718	2,105,584	2,192,718
Automotive equipment	2,227,128	1,771,739	1,854,557	2,414,518	4,081,685	4,186,257
Office and other equipment	2,314,530	2,568,476	-	-	2,314,530	2,568,476
Construction in progress	21,138,356	20,073,034	885,884	30,144	22,024,240	20,103,178
<b>Total</b>	<b>\$ 102,685,820</b>	<b>\$ 103,109,718</b>	<b>\$ 16,363,678</b>	<b>\$ 17,262,534</b>	<b>\$ 119,049,498</b>	<b>\$ 120,372,252</b>

### **Capital Asset and Debt Administration**

#### **Capital Assets**

The County's investment in capital assets for its governmental and business-type activities as of June 30, 2017 totals \$119 million (net of accumulated depreciation). These assets include land, buildings, automotive equipment, office and other equipment, and sewer lines.

Major capital asset transactions during the year include:

- Purchased construction in progress on various County projects.
- Purchase of vehicles.
- Purchased various office equipment for day-to-day operations.
- Purchased landfill and recycling equipment.

Additional information on the County's capital assets can be found in Note 6 of the Basic Financial Statements.

#### **Long-Term Debt and Obligations**

As of June 30, 2017, the County had total bonded debt outstanding of \$50.4 million, all of which is debt backed by the full faith and credit of the County.

In addition, the County has several installment notes with a total outstanding balance of \$130.1 million. A summary of total long-term debt and other long-term liabilities is shown in Figure 5. The County's total long-term obligations increased by \$8.7 million, or

3.4% from the prior fiscal year. The increase is mainly due to the issuance of installment notes.

The County's bond ratings are shown below:

Moody's Investor Services	Aaa
Standard & Poor's	AAA
Fitch IBCA	AAA

These bond ratings are a clear indication of the sound financial condition of the County. The County is one of the few counties in the country that maintains the highest financial ratings from all major rating agencies. This achievement is a primary factor in keeping interest costs low on the County's outstanding debt.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the County is approximately \$1.2 billion. The County has \$178 million in total net debt applicable to the limit. The County has \$125 million in bonds authorized, but unissued, at June 30, 2017.

**The County's Long-Term Obligations**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016-Restated	2017	2016	2017	2016-Restated
General obligations bonds	\$ 50,430,000	\$ 59,280,000	\$ -	\$ -	\$ 50,430,000	\$ 59,280,000
Installment notes payable	117,955,755	118,995,610	12,185,551	9,799,916	130,141,306	128,795,526
Resolving loan payable	2,388,317	2,533,957	-	-	2,388,317	2,533,957
Bond issuance items, net	7,382,845	9,995,850	-	-	7,382,845	9,995,850
Accrued compensated absences	3,265,421	3,681,162	213,756	328,643	3,479,177	4,009,805
Net pension liability - LGERS	15,718,303	2,996,657	934,386	181,927	16,652,689	3,178,584
Total pension liability - LEOSSA	3,542,524	3,432,093	-	-	3,542,524	3,432,093
Post-closure liability	-	-	5,881,728	5,592,270	5,881,728	5,592,270
OPEB liability	39,157,224	35,777,656	2,641,245	2,572,559	41,798,469	38,350,215
<b>Total</b>	<b>\$ 239,840,389</b>	<b>\$ 236,692,985</b>	<b>\$ 21,856,666</b>	<b>\$ 18,475,315</b>	<b>\$ 261,697,055</b>	<b>\$ 255,168,300</b>

Additional information regarding the County's long-term debt can be found in Note 7 on pages 49-56 of this report.

The Article 46 sales tax revenue is budgeted at \$3.5 million for fiscal year 2017-18.

**Budget Highlights for the Fiscal Year Ending June 30, 2018**

The fiscal year 2017-18 Adopted Budget totals \$219.6 million which represents an increase of \$3.8 million or 1.8% increase over the fiscal year 2016-17 budget. The budget includes a 2% wage increase. The County budget maintains a goal of allocating 48.1% of General Fund revenues to Education spending. The budget increases per pupil spending by \$123 from \$3,868 to \$3,991 per pupil which has consistently been among the highest per pupil appropriations in North Carolina. The County completed a revaluation of real property which increased the tax base by 6%. The County adopted a revenue neutral rate of \$0.8377 per \$100 of assessed valuation. The budget assumes \$1.5 million in new tax revenues due to new construction and new personal property.

**Requests for Information**

This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance for the County, 200 South Cameron Street, P.O. Box 8181, Hillsborough, North Carolina 27278.

Complete financial statements for the ABC Board may be obtained at its administrative office, Orange County ABC Board, 122 Highway 70 East, Hillsborough, North Carolina 27278.

The residents of Orange County approved the Article 46 ¼ cents sales tax in a November 2011 referendum. The Article 46 sales tax became effective April 1, 2012. Fifty percent of the ¼ cent sales tax is allocated to both County school systems on an average daily membership percent basis to fund school capital projects. The other fifty percent is allocated to economic development initiatives including supporting water and sewer infrastructure funding in the County's three economic development districts.

**ORANGE COUNTY, NORTH CAROLINA**

**STATEMENT OF NET POSITION  
JUNE 30, 2017**

	Primary Government			Component Unit
	Governmental	Business-type	Total	Orange County
	Activities	Activities		ABC Board
<b>ASSETS</b>				
Cash and cash equivalents	\$ 74,274,989	\$ 17,258,520	\$ 91,533,509	\$ 2,589,781
Receivables, net of allowance for uncollectibles	3,511,941	402,811	3,914,752	3,432
Taxes receivable, net of allowance for uncollectibles	2,328,083	-	2,328,083	-
Due from other governments	10,000,760	-	10,000,760	-
Internal balances	136,000	(136,000)	-	-
Inventories	7,329	-	7,329	2,018,931
Prepaid items	3,001	-	3,001	139,933
Restricted cash and cash equivalents	28,934,276	-	28,934,276	-
Net pension asset	215,578	-	215,578	-
Capital assets:				
Non-depreciable	41,070,764	2,562,060	43,632,824	563,422
Depreciable, net of accumulated depreciation	61,615,056	13,801,618	75,416,674	5,787,696
Total assets	222,097,777	33,889,009	255,986,786	11,103,195
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension related items	14,136,214	832,007	14,968,221	423,310
Deferred charges on refunding	627,649	-	627,649	-
Total deferred outflows of resources	14,763,863	832,007	15,595,870	423,310
<b>LIABILITIES</b>				
Accounts payable	3,982,507	329,153	4,311,660	632,457
Accrued liabilities	4,598,305	309,308	4,907,613	490,987
Customer deposits	-	251,033	251,033	-
Interest payable	1,740,135	-	1,740,135	-
Claims and judgements payable	1,926,278	-	1,926,278	-
Landfill post-closure liability, due within one year	-	206,688	206,688	-
Landfill post-closure liability, due in more than one year	-	5,675,040	5,675,040	-
Installment notes, due within one year	12,373,554	969,047	13,342,601	123,300
Installment notes, due in more than one year	105,582,221	11,216,504	116,798,725	1,415,171
Bonds payable, due within one year	10,190,000	-	10,190,000	-
Bonds payable, due in more than one year	47,622,845	-	47,622,845	-
Revolving loan, due within one year	145,640	-	145,640	-
Revolving loan, due in more than one year	2,242,677	-	2,242,677	-
Compensated absences, due within one year	1,959,253	128,254	2,087,507	-
Compensated absences, due in more than one year	1,306,168	85,502	1,391,670	-
Total pension liability, due in more than one year	3,542,524	-	3,542,524	-
Net pension liability, due in more than one year	15,718,303	934,386	16,652,689	514,242
Net OPEB obligation, due in more than one year	39,157,224	2,641,245	41,798,469	-
Total liabilities	252,087,634	22,746,160	274,833,794	3,176,157
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred tax revenue	451,656	-	451,656	-
Pension related items	637,250	32,742	669,992	-
Total deferred inflows of resources	1,088,906	32,742	1,121,648	-
<b>NET POSITION</b>				
Net investment in capital assets	29,924,257	6,883,243	36,807,500	4,812,647
Restricted for:				
Stabilization by State Statute	12,264,244	-	12,264,244	-
Public safety	2,179,700	-	2,179,700	-
Human services	2,748,663	-	2,748,663	-
Community services	3,419,193	-	3,419,193	-
Education	4,330,808	-	4,330,808	-
Capital projects	4,748,603	-	4,748,603	-
Unrestricted	(75,930,368)	5,058,871	(70,871,497)	3,537,701
Total net position	\$ (16,314,900)	\$ 11,942,114	\$ (4,372,786)	\$ 8,350,348

The accompanying notes are an integral part of these financial statements.

# ORANGE COUNTY, NORTH CAROLINA

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	Program Revenues		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
Community services	\$ 14,528,306	\$ 5,046,146	\$ 863,611	\$ -
General government	17,268,682	3,043,497	11,703	1,000,233
Public safety	29,634,987	5,732,000	1,579,504	-
Human services	45,058,561	2,292,284	22,237,869	-
Education	97,196,824	-	1,351,438	-
Support services	14,579,007	310,117	-	-
Interest on long-term debt	3,311,756	-	-	-
Total governmental activities	221,578,123	16,424,044	26,044,125	1,000,233
Business-type activities:				
Solid waste	10,197,990	8,345,548	-	-
Sportsplex	3,354,734	3,322,980	-	-
Efland	399,818	192,779	-	-
Total business-type activities	13,952,542	11,861,307	-	-
Total primary government	\$ 235,530,665	\$ 28,285,351	\$ 26,044,125	\$ 1,000,233
Component Unit:				
Orange County ABC Board	\$ 19,002,909	\$ 19,545,413	\$ -	\$ -
Total component unit	\$ 19,002,909	\$ 19,545,413	\$ -	\$ -
General revenues:				
Ad valorem taxes				
Sales and use taxes				
Occupancy taxes				
Other taxes				
Investment earnings				
Gain on sale of capital assets				
Transfers				
Total general revenues				
Change in net position				
Net position, beginning of year, restated				
Net position, end of year				

The accompanying notes are an integral part of these financial statements.

**Net (Expenses) Revenues and  
Changes in Net Position**

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Orange County ABC Board
\$ (8,618,549)	\$ -	\$ (8,618,549)	\$ (8,618,549)
(13,213,249)	-	(13,213,249)	(13,213,249)
(22,323,483)	-	(22,323,483)	(22,323,483)
(20,528,408)	-	(20,528,408)	(20,528,408)
(95,845,386)	-	(95,845,386)	(95,845,386)
(14,268,890)	-	(14,268,890)	(14,268,890)
(3,311,756)	-	(3,311,756)	(3,311,756)
<u>(178,109,721)</u>	<u>-</u>	<u>(178,109,721)</u>	<u>(178,109,721)</u>
-	(1,852,442)	(1,852,442)	(3,704,884)
-	(31,754)	(31,754)	(63,508)
-	(207,039)	(207,039)	(414,078)
<u>-</u>	<u>(2,091,235)</u>	<u>(2,091,235)</u>	<u>(4,182,470)</u>
\$ (178,109,721)	\$ (2,091,235)	\$ (180,200,956)	\$ (182,292,191)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 542,504</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 542,504</u>
\$ 155,565,259	\$ -	\$ 155,565,259	\$ -
28,004,172	-	28,004,172	-
1,492,194	-	1,492,194	-
26,430	-	26,430	-
618,793	80,767	699,560	2,577
-	180,946	180,946	-
(1,568,349)	1,568,349	-	-
<u>184,138,499</u>	<u>1,830,062</u>	<u>185,968,561</u>	<u>2,577</u>
6,028,778	(261,173)	5,767,605	545,081
(22,343,678)	12,203,287	(10,140,391)	7,805,267
<u>\$ (16,314,900)</u>	<u>\$ 11,942,114</u>	<u>\$ (4,372,786)</u>	<u>\$ 8,350,348</u>

**ORANGE COUNTY, NORTH CAROLINA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2017**

	General Fund	County Capital Improvements Fund	School Capital Improvements Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash	\$ 58,685,074	\$ -	\$ -	\$ 13,430,887	\$ 72,115,961
Taxes receivable, net	2,124,558	-	-	203,525	2,328,083
Accounts receivable	471,923	12,267	-	2,711,877	3,196,067
Due from other governments	10,000,760	-	-	-	10,000,760
Advances to other funds	136,000	-	-	-	136,000
Inventory	7,329	-	-	-	7,329
Prepaid items	3,001	-	-	-	3,001
Restricted cash and cash equivalents	-	23,910,718	5,023,558	-	28,934,276
Total assets	<u>\$ 71,428,645</u>	<u>\$ 23,922,985</u>	<u>\$ 5,023,558</u>	<u>\$ 16,346,289</u>	<u>\$ 116,721,477</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 1,883,071	\$ 185,851	\$ 692,750	\$ 1,220,835	\$ 3,982,507
Accrued payroll and withholdings	2,930,728	-	-	72,541	3,003,269
Accrued liabilities	1,578,833	-	-	-	1,578,833
Total liabilities	<u>6,392,632</u>	<u>185,851</u>	<u>692,750</u>	<u>1,293,376</u>	<u>8,564,609</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - ad valorem taxes	1,857,391	-	-	161,994	2,019,385
Deferred revenue - prepaid taxes	451,656	-	-	-	451,656
Total deferred inflows of resources	<u>2,309,047</u>	<u>-</u>	<u>-</u>	<u>161,994</u>	<u>2,471,041</u>
<b>FUND BALANCES</b>					
Nonspendable:					
Inventories	7,329	-	-	-	7,329
Prepaid items	3,001	-	-	-	3,001
Advances to other funds	136,000	-	-	-	136,000
Restricted:					
Stabilization by State Statute	10,739,850	-	-	1,524,394	12,264,244
Public safety	-	-	-	2,017,706	2,017,706
Human services	-	-	-	2,748,663	2,748,663
Community services	-	-	-	3,419,193	3,419,193
Education	-	-	4,330,808	-	4,330,808
Capital projects	-	23,737,134	-	4,748,603	28,485,737
Committed:					
Health benefits	7,543,841	-	-	-	7,543,841
Human services	-	-	-	81,079	81,079
Assigned:					
Use in subsequent fiscal year	9,769,060	-	-	-	9,769,060
Capital projects	-	-	-	146,913	146,913
Human services	-	-	-	141,597	141,597
Community services	-	-	-	62,771	62,771
Unassigned	34,527,885	-	-	-	34,527,885
Total fund balances	<u>62,726,966</u>	<u>23,737,134</u>	<u>4,330,808</u>	<u>14,890,919</u>	<u>105,685,827</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 71,428,645</u>	<u>\$ 23,922,985</u>	<u>\$ 5,023,558</u>	<u>\$ 16,346,289</u>	

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 funds.	100,603,716
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.	2,019,385
The net pension liability (assets), total pension liability, and related deferred inflows and outflows of resources are resources related to the County's defined benefit pension plans which are not expected to be liquidated with expendable available financial resources and, therefore, are not reported in the funds.	(5,546,285)
Internal service funds are used by the County to charge costs to other funds. The assets and liabilities are included in the governmental activities.	212,149
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(219,289,692)
Net position of governmental activities	<u>\$ (16,314,900)</u>

The accompanying notes are an integral part of these financial statements.

**ORANGE COUNTY, NORTH CAROLINA**

**STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>General Fund</u>	<u>County Capital Improvements Fund</u>	<u>School Capital Improvements Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>					
Property taxes	\$ 150,063,192	\$ -	\$ -	\$ 5,567,441	\$ 155,630,633
Sales tax	24,409,044	-	59,998	3,535,130	28,004,172
Other taxes	-	-	-	1,518,624	1,518,624
Intergovernmental revenues	19,807,744	902,043	-	5,745,143	26,454,930
Charges for services	11,423,942	-	-	591,255	12,015,197
Investment earnings	437,172	109,191	-	72,430	618,793
License and permits	314,454	-	-	2,114,028	2,428,482
Miscellaneous	1,965,108	98,190	-	521,495	2,584,793
Total revenues	<u>208,420,656</u>	<u>1,109,424</u>	<u>59,998</u>	<u>19,665,546</u>	<u>229,255,624</u>
<b>Expenditures</b>					
Current:					
Community services	11,372,118	-	-	2,813,942	14,186,060
General government	8,062,146	-	-	147,788	8,209,934
Public safety	23,100,639	-	-	5,993,174	29,093,813
Human services	38,472,323	-	-	5,954,901	44,427,224
Education	84,295,676	-	11,146,784	1,754,364	97,196,824
Support services	13,929,639	-	-	-	13,929,639
Capital outlay	-	5,538,992	-	-	5,538,992
Debt service:					
Principal retirements	19,307,488	-	-	523,228	19,830,716
Interest and fiscal charges	6,530,451	180,233	-	143,943	6,854,627
Total expenditures	<u>205,070,480</u>	<u>5,719,225</u>	<u>11,146,784</u>	<u>17,331,340</u>	<u>239,267,829</u>
Excess (deficiency) of revenues over expenditures	<u>3,350,176</u>	<u>(4,609,801)</u>	<u>(11,086,786)</u>	<u>2,334,206</u>	<u>(10,012,205)</u>
<b>Other financing sources (uses)</b>					
Proceeds from sale of capital assets	81,967	-	-	13,049	95,016
Transfers in	3,012,600	945,653	5,150,784	597,331	9,706,368
Transfers out	(8,183,964)	(60,000)	-	(3,030,753)	(11,274,717)
Installment notes issued	-	9,354,561	-	-	9,354,561
Total other financing sources (uses)	<u>(5,089,397)</u>	<u>10,240,214</u>	<u>5,150,784</u>	<u>(2,420,373)</u>	<u>7,881,228</u>
Net change in fund balances	(1,739,221)	5,630,413	(5,936,002)	(86,167)	(2,130,977)
<b>Fund balances, beginning of year</b>	<u>64,466,187</u>	<u>18,106,721</u>	<u>10,266,810</u>	<u>14,977,086</u>	<u>107,816,804</u>
<b>Fund balances, end of year</b>	<u>\$ 62,726,966</u>	<u>\$ 23,737,134</u>	<u>\$ 4,330,808</u>	<u>\$ 14,890,919</u>	<u>\$ 105,685,827</u>

The accompanying notes are an integral part of these financial statements.

# ORANGE COUNTY, NORTH CAROLINA

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2017

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Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ (2,130,977)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	(881,832)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales) is to decrease net position.	(67,251)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(80,374)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	10,476,155
Internal service funds are used by management to charge the costs of the City's insurance plan to individual funds. The net expense of the internal service fund is reported within governmental activities.	(492,031)
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.	<u>(794,912)</u>
Change in net position - governmental activities	<u>\$ 6,028,778</u>

**The accompanying notes are an integral part of these financial statements.**

**ORANGE COUNTY, NORTH CAROLINA**

**GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2017**

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 149,036,061	\$ 149,036,061	\$ 150,063,192	\$ 1,027,131
Sales tax	22,066,641	22,066,641	24,409,044	2,342,403
Intergovernmental revenue	15,283,619	21,663,627	19,807,744	(1,855,883)
Charges for services	10,900,298	11,106,972	11,423,942	316,970
Investment earnings	155,000	155,002	437,172	282,170
License and permits	328,000	328,000	314,454	(13,546)
Miscellaneous	1,688,112	1,928,977	1,868,927	(60,050)
Total revenues	<u>199,457,731</u>	<u>206,285,280</u>	<u>208,324,475</u>	<u>2,039,195</u>
<b>Expenditures</b>				
Current:				
Community service	13,586,700	14,199,505	11,372,118	2,827,387
General government	7,820,007	8,154,180	8,062,146	92,034
Public safety	24,596,946	25,196,451	23,100,639	2,095,812
Human services	36,793,048	42,735,807	38,472,323	4,263,484
Education	84,259,340	84,259,340	84,295,676	(36,336)
Support services	16,185,834	15,296,120	13,929,639	1,366,481
Debt service:				
Principal retirements	19,840,194	19,840,194	19,307,488	532,706
Interest	6,371,002	6,371,002	6,530,451	(159,449)
Total expenditures	<u>209,453,071</u>	<u>216,052,599</u>	<u>205,070,480</u>	<u>10,982,119</u>
Excess (deficiency) of revenues over expenditures	<u>(9,995,340)</u>	<u>(9,767,319)</u>	<u>3,253,995</u>	<u>13,021,314</u>
<b>Other financing sources (uses):</b>				
Proceeds from sale of capital assets	25,000	46,000	81,967	35,967
Transfers in	2,712,600	2,712,600	3,012,600	300,000
Transfers out	(5,469,204)	(6,899,245)	(8,183,964)	(1,284,719)
Appropriated fund balance	12,726,944	13,907,964	-	(13,907,964)
Total other financing sources	<u>9,995,340</u>	<u>9,767,319</u>	<u>(5,089,397)</u>	<u>(14,856,716)</u>
Net change in fund balances	-	-	(1,835,402)	(1,835,402)
<b>Fund balances, beginning of year</b>	<u>64,466,187</u>	<u>64,466,187</u>	<u>64,466,187</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 51,739,243</u>	<u>\$ 50,558,223</u>	<u>\$ 50,558,223</u>	<u>\$ (1,835,402)</u>

Reconciliation to the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance:

Community Loan Fund :	
Net change in fund balance	96,181
	<u>\$ 62,726,966</u>

The accompanying notes are an integral part of these financial statements.

**ORANGE COUNTY, NORTH CAROLINA**

**STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 JUNE 30, 2017**

ASSETS	Solid Waste Landfill Fund	SportsPlex Fund	Nonmajor Fund		Internal Service Funds
			Efland Sewer Operating Fund	Totals	
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	\$ 13,135,674	\$ 3,884,403	\$ 238,443	\$ 17,258,520	\$ 2,159,028
Accounts receivable, net of allowances	385,447	17,364	-	402,811	315,874
Total current assets	13,521,121	3,901,767	238,443	17,661,331	2,474,902
<b>CAPITAL ASSETS</b>					
Nondepreciable	1,690,190	814,753	57,117	2,562,060	-
Depreciable, net of accumulated depreciation	5,837,319	5,858,715	2,105,584	13,801,618	2,082,104
Total noncurrent assets	7,527,509	6,673,468	2,162,701	16,363,678	2,082,104
Total assets	21,048,630	10,575,235	2,401,144	34,025,009	4,557,006
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension related items	832,007	-	-	832,007	-
Total deferred outflows of resources	832,007	-	-	832,007	-
<b>LIABILITIES</b>					
<b>CURRENT LIABILITIES</b>					
Accounts payable	171,758	111,841	45,554	329,153	-
Accrued liabilities	76,315	117,837	115,156	309,308	16,203
Payroll withholdings	209,374	41,659	-	251,033	-
Claims payable	-	-	-	-	1,325,054
Installment contracts, current	496,981	472,066	-	969,047	365,889
Landfill post-closure, current	206,688	-	-	206,688	-
Compensated absences payable, current	128,254	-	-	128,254	-
Total current liabilities	1,289,370	743,403	160,710	2,193,483	1,707,146
<b>NONCURRENT LIABILITIES</b>					
Installments contracts	4,964,477	6,252,027	-	11,216,504	2,637,711
Landfill post-closure	5,675,040	-	-	5,675,040	-
Advance from other funds	-	-	136,000	136,000	-
Compensated absences payable	85,502	-	-	85,502	-
Net pension liability	934,386	-	-	934,386	-
Net OPEB obligation	2,641,245	-	-	2,641,245	-
Total noncurrent liabilities	14,300,650	6,252,027	136,000	20,688,677	2,637,711
Total liabilities	15,590,020	6,995,430	296,710	22,882,160	4,344,857
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pension related items	32,742	-	-	32,742	-
Total deferred inflows of resources	32,742	-	-	32,742	-
<b>NET POSITION</b>					
Net investment in capital assets	2,066,051	2,654,491	2,162,701	6,883,243	(921,496)
Unrestricted	4,191,824	925,314	(58,267)	5,058,871	1,133,645
Total net position	\$ 6,257,875	\$ 3,579,805	\$ 2,104,434	\$ 11,942,114	\$ 212,149

The accompanying notes are an integral part of these financial statements.

**ORANGE COUNTY, NORTH CAROLINA**

**STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017**

	Solid Waste Landfill Fund	SportsPlex Fund	Nonmajor Fund Efland Sewer Operating Fund	Totals	Internal Service Funds
<b>OPERATING REVENUES</b>					
Charges for services	\$ 8,345,548	\$ 3,322,980	\$ 192,779	\$ 11,861,307	\$ -
Other operating revenues	-	-	-	-	1,035,996
Employee contributions	-	-	-	-	9,997,600
<b>Total operating revenues</b>	<b>8,345,548</b>	<b>3,322,980</b>	<b>192,779</b>	<b>11,861,307</b>	<b>11,033,596</b>
<b>OPERATING EXPENSES</b>					
Landfill	6,247,788	-	-	6,247,788	-
Administrative and general	2,238,152	2,789,639	289,895	5,317,686	436,727
Operations and maintenance	-	-	22,789	22,789	-
Depreciation	1,498,855	372,343	87,134	1,958,332	985,583
Claims and payments to third party administrators	-	-	-	-	10,409,343
<b>Total operating expenses</b>	<b>9,984,795</b>	<b>3,161,982</b>	<b>399,818</b>	<b>13,546,595</b>	<b>11,831,653</b>
Operating income (loss)	(1,639,247)	160,998	(207,039)	(1,685,288)	(798,057)
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Intergovernmental	-	-	-	-	368,367
Investment earnings	79,725	-	1,042	80,767	7,499
Gain on disposal of capital assets	180,946	-	-	180,946	-
Interest expense	(213,195)	(192,752)	-	(405,947)	(69,840)
<b>Total non-operating revenue (expenses)</b>	<b>47,476</b>	<b>(192,752)</b>	<b>1,042</b>	<b>(144,234)</b>	<b>306,026</b>
Loss before transfers	(1,591,771)	(31,754)	(205,997)	(1,829,522)	(492,031)
Transfers in	1,284,719	152,850	130,780	1,568,349	-
Change in net position	(307,052)	121,096	(75,217)	(261,173)	(492,031)
<b>Net position, beginning of year, restated</b>	<b>6,564,927</b>	<b>3,458,709</b>	<b>2,179,651</b>	<b>12,203,287</b>	<b>704,180</b>
<b>Net position, end of year</b>	<b>\$ 6,257,875</b>	<b>\$ 3,579,805</b>	<b>\$ 2,104,434</b>	<b>\$ 11,942,114</b>	<b>\$ 212,149</b>

The accompanying notes are an integral part of these financial statements.

**ORANGE COUNTY, NORTH CAROLINA**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017**

	Solid Waste Landfill Fund	SportsPlex Fund	Nonmajor Fund Efland Sewer Operating Fund	Totals	Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers and users	\$ 8,295,204	\$ 3,313,327	\$ 192,779	\$ 11,801,310	\$ 10,897,485
Payments to suppliers	(4,514,708)	(1,661,425)	(287,203)	(6,463,336)	(10,756,285)
Payments to employees	(4,175,071)	(1,166,293)	-	(5,341,364)	-
Net cash provided by (used in) operating activities	<u>(394,575)</u>	<u>485,609</u>	<u>(94,424)</u>	<u>(3,390)</u>	<u>141,200</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>					
Transfers from other funds	1,284,719	152,850	130,780	1,568,349	-
Net cash provided by non-capital financing activities	<u>1,284,719</u>	<u>152,850</u>	<u>130,780</u>	<u>1,568,349</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Purchases and acquisition of capital assets	(1,618,889)	(58,884)	-	(1,677,773)	(1,510,768)
Proceeds from capital grants	-	-	-	-	188,841
Proceeds from sale of capital assets	799,243	-	-	799,243	-
Proceeds from issuance of debt	562,717	2,764,000	-	3,326,717	789,722
Principal payments on long-term debt	(449,353)	(491,729)	-	(941,082)	(349,042)
Interest paid	(214,960)	(193,362)	-	(408,322)	(70,698)
Net cash provided by (used in) capital and related financing activities	<u>(921,242)</u>	<u>2,020,025</u>	<u>-</u>	<u>1,098,783</u>	<u>(951,945)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest received	79,725	-	1,042	80,767	7,499
Net cash provided by investing activities	<u>79,725</u>	<u>-</u>	<u>1,042</u>	<u>80,767</u>	<u>7,499</u>
Net increase (decrease) in cash and cash equivalents	48,627	2,658,484	37,398	2,744,509	(803,246)
Cash and cash equivalents, beginning of year	<u>13,087,047</u>	<u>1,225,919</u>	<u>201,045</u>	<u>14,514,011</u>	<u>2,962,274</u>
Cash and cash equivalents, end of year	<u>\$ 13,135,674</u>	<u>\$ 3,884,403</u>	<u>\$ 238,443</u>	<u>\$ 17,258,520</u>	<u>\$ 2,159,028</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>					
Operating income (loss)	\$ (1,639,247)	\$ 160,998	\$ (207,039)	\$ (1,685,288)	\$ (798,057)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation expense	1,498,855	372,343	87,134	1,958,332	985,583
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:					
Increase in accounts receivable	(50,344)	(9,653)	-	(59,997)	(136,111)
Increase (decrease) in accounts payable	(544,833)	28,190	18,943	(497,700)	(87,098)
Decrease in accrued payroll withholdings	30,211	8,602	-	38,813	-
Increase (decrease) in accrued liabilities	55	(74,871)	6,538	(68,278)	-
Increase in post-closure liability	289,458	-	-	289,458	-
Decrease in compensated absences payable	(114,887)	-	-	(114,887)	-
Increase in claims payable	-	-	-	-	176,883
Increase in pension related items	67,471	-	-	67,471	-
Increase in net OPEB obligation	68,686	-	-	68,686	-
Net cash provided by (used in) operating activities	<u>\$ (394,575)</u>	<u>\$ 485,609</u>	<u>\$ (94,424)</u>	<u>\$ (3,390)</u>	<u>\$ 141,200</u>

The accompanying notes are an integral part of these financial statements.

**ORANGE COUNTY, NORTH CAROLINA**

**STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2017**

<b>ASSETS</b>	<u>Agency Funds</u>	<u>OPEB Trust Fund</u>
Cash and cash equivalents	\$ 1,064,816	\$ 75,693
Investments:		
Fixed Income Fund	-	99,054
Equity Index Fund	-	85,175
Taxes receivable	315,448	-
Other receivable	122,936	-
	<u>\$ 1,503,200</u>	<u>\$ 259,922</u>
<b>LIABILITIES</b>		
Due to others	\$ 1,187,752	\$ -
Uncollected taxes	315,448	-
	<u>\$ 1,503,200</u>	<u>-</u>
<b>NET POSITION</b>		
Net position restricted for OPEB benefits		<u>\$ 259,922</u>

The accompanying notes are an integral part of these financial statements.

**ORANGE COUNTY, NORTH CAROLINA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<b>OPEB Trust Fund</b>
<b>ADDITIONS</b>	
Contributions:	
Employer contributions	\$ 3,550,768
Total contributions	3,550,768
Investment income:	
Net appreciation of fair value of investments	9,922
Net investment income	9,922
Total additions	3,560,690
<b>DEDUCTIONS</b>	
Benefit payments	3,300,768
Total deductions	3,300,768
Change in net position	259,922
<b>NET POSITION RESTRICTED FOR OPEB BENEFITS</b>	
Beginning of year	-
End of year	\$ 259,922

The accompanying notes are an integral part of these financial statements.

# ORANGE COUNTY, NORTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Orange County, North Carolina (the "County") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County's significant accounting policies are described below.

#### A. Reporting Entity

Orange County, North Carolina (the "County"), was founded in 1752 and is located in the northcentral portion of North Carolina on the Piedmont Plateau. The County has a commissioner/manager form of government with a seven-member elected Board of Commissioners comprising the governing body. The County provides the following services to its citizens: public health, public safety, mental health, social service programs, planning and zoning, cultural and recreational programs, and housing and community development service programs. In addition, inspections, environmental resources, land records, and vital statistics information are provided. Elementary and secondary education is provided by the State through locally elected educational boards with the assistance of the County.

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the County and its component unit. The component unit discussed below is included in the County's reporting entity because of the significance of their operational and financial relationship with the County. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

#### Discretely Presented Component Unit

The Orange County Alcoholic Beverage Control Board (the "ABC Board") operates retail liquor stores within the County and investigates violations of laws pertaining to retail liquor sales. The five members of the ABC Board's governing board are appointed by the County. The ABC Board is required by State statute to distribute surpluses to the General Fund of the County. Complete separate financial statements for the ABC Board may be obtained at its administrative office:

Orange County ABC Board  
122 Highway 70 East  
Hillsborough, North Carolina 27278

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component unit. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from the legally separate *component unit* for which the primary government is financially accountable. *The* statement of net position includes non-current assets and non-current liabilities. In addition, the government-wide statement of activities reflects depreciation expense on the County's capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to those 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.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the 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.

## NOTES TO FINANCIAL STATEMENTS

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### 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 as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers most revenues to be available if they are collected within 90 days of the end of the current fiscal period, except for property taxes which use a 60 day period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to other long-term liabilities, such as compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, intergovernmental grants, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, the corresponding assets (receivables) in non-exchange transactions are recognized in the period in which the underlying exchange occurs, when an enforceable legal claim has arisen, when all eligibility requirements have been met, or when resources are received, depending on the revenue source.

In accordance with GASB Statement No. 34, individual major funds are reported as separate columns in the fund financial statements.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The County reports the following major governmental funds:

The **General Fund** is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The Property Revaluation Fund is a legally budgeted fund under North Carolina General Statutes, which for reporting purposes is presented in the General Fund.

The **County Capital Improvements** fund is used to account for the financial resources used the acquisition, renovation, and improvement of public facilities.

The **School Capital Improvements** fund is used to account for the financial resources used the construction, acquisition, and renovation of public school facilities.

The County reports the following major enterprise funds:

The **Solid Waste Landfill Fund** accounts for the revenues and expenses related to the provision of solid waste disposal and recycling activities for the citizens of Orange County.

The **SportsPlex Fund** accounts for the operation, maintenance and development of the Triangle SportsPlex.

Additionally, the County reports the following fund types:

The **special revenue funds** are used to account for specific revenues, such as various grants and contributions, which are legally restricted or committed to expenditures for particular purposes.

The **capital projects funds** account for financial resources to be used for the acquisition and construction of major capital projects

The **enterprise fund** accounts for the maintenance and development of the County's sewer system in Efland.

The **internal service funds** account for the County's partially self-insured health and dental benefits plan which charges the other funds of the County for the insurance claims and the County's vehicle replacement fund which is used to account for the County's fleet expansion.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The **fiduciary funds** consist of two types, the first is agency funds, which are custodial in nature and do not involve measurement of results of operations. Agency funds are used to account for assets the County holds on behalf of others. The County maintains the following agency funds: School District Fund, which accounts for the collection and disbursement of taxes for the Chapel Hill-Carrboro City School District for which the County acts as an agent; the Cooperative Extension 4-H Fund, which accounts for the receipts and disbursement of funds on behalf of the 4-H program advisory board; American Stone No Fault Well Repair Fund, which accounts for funds made available from American Stone and the Orange Water and Sewer Authority for residents within 3,000 feet of the perimeter of the American Stone Quarry to repair or replace residential wells that fail for any reason other than as the probable result of American Stone quarry operation; Communication Tower Trust Fund, which is used to account for application fees paid to the County by telecommunication companies, with these fees being used to pay costs associated with determining tower location and construction with unused fees being returned to the telecommunication companies; Jail Inmate Trust Fund, which accounts for the receipts from jail inmates who are incarcerated in the County jail; the DSS Trust Fund that accounts for funds held by the County for subsistence needs of specific social service clients; the Mental Health Insurance Fund that accounts for the funds received from Orange Person Chatham "OPC" Mental Health Developmental Disabilities and Substance Abuse Authority and its former employees to cover insurance costs for retirees; and the Orange County Giving Fund that accounts for donor specific contributions to targeted initiatives.

The second type of fiduciary fund is a Trust Fund. The Other Postemployment Benefit Trust Fund accounts for the accumulation of resources to be used for employer portion of retiree health insurance premiums, at appropriate amounts and times in the future. Resources are contributed by the County at rates determined by actuarial computations.

In accounting and reporting for its proprietary operations, the government applies all GASB pronouncements. GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* incorporated into the GASB's authoritative literature certain accounting and financial reporting guidance issued on or before November 30, 1989 which did not conflict with or contradict GASB pronouncements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. However, any inter-fund services provided and used are not eliminated as this process would distort the direct costs and program revenues reported in the various functions.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds include the cost of these goods and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

#### D. Budgets

Annual appropriated budgets are adopted for all funds, with the exception of capital projects funds, the Community Development Fund, Grant Projects Fund, and the Adoption Enhancement Fund, for which project length budgets are adopted. Additionally, the County did not adopt a budget for the Sheriff Forfeitures Fund, Recreation Subdivision Fund, Heusner Fund, Library Development Fund, County Capital Reserve Fund, the School Capital Reserve Fund, or the Community Loan Fund. In accordance with State law, the budgets adopted for the enterprise funds are adopted on the modified accrual basis of accounting, and a reconciliation is provided along with the budget schedule to reconcile from the modified accrual basis to the accrual basis. The governmental funds' budgets are adopted on a basis other than accounting principles generally accepted in the United States of America. Budgets are adopted to show use of fund balance as other financing sources for both governmental and proprietary funds, as well as the proprietary funds are budgeted on the modified accrual basis of accounting. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and amended as required for the General fund, special revenue funds, and the enterprise funds. During the fiscal year ended June 30, 2017, the original budget was amended through supplemental appropriations. These changes are reflected in the budgetary comparison schedules.

All budget appropriations lapse at the end of each year.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### E. Deposits and Investments

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the County. The County pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Any deposit in excess of the federal depository insured amounts must be collateralized by an equivalent amount of State or U.S. obligations. For purposes of the statement of cash flows, all highly liquid investments with an original maturity of less than 90 days are considered to be cash equivalents.

State law [G.S. 159-30(c)] authorizes the County to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The securities of the NCCMT- Cash Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT- Term Portfolio's securities are valued at fair value.

General Statute 159-30.1 allows the County to establish an Other Postemployment Benefit (OPEB) Trust managed by the staff of the Department of the State Treasurer and operated in accordance with state laws and regulations. It is not registered with the SEC and G.S. 159-30(g) allows the County to make contributions to the Trust. The State Treasurer in his discretion may invest the proceeds in equities of certain publicly held companies and long or short term fixed income investments as detailed in G.S. 147-69.2(b)(1-6) and (8). Funds submitted are managed in three different sub-funds, the State Treasurer's Short Term Investment Fund (STIF) consisting of short to intermediate treasuries, agencies and corporate issues authorized by G.S. 147-69.1, the Bond Index Fund (BIF) consisting of high quality debt securities eligible under G.S. 147-69.2(b)(1)-(6), and BlackRock's MSCI ACWI EQ Index Non-Lendable Class B Fund authorized under G.S. 147-69.2(b)(8).

#### F. Restricted cash and cash equivalents

The County has restricted cash and cash equivalents related to unspent proceeds from long-term debt issued by the County Capital Improvements and School Capital Improvements Fund. These proceeds are held to be disbursed as costs are incurred on the financed construction projects.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### G. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2016.

#### H. Allowances

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing any currently doubtful accounts as well as the percentage of receivables that were written off in prior years.

#### I. Interfund Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as all other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, represent long-term borrowing arrangements with established repayment schedules and are offset by a fund balance account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

#### J. Inventories

All inventories are valued at average cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Inventories of the enterprise funds are recorded as expenses when consumed rather than when purchased.

#### K. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2017, are recorded as prepaid items in both government-wide and fund financial statements.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### L. Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and intangible assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets received prior to July 1, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after July 1, 2015 are recorded at acquisition value. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

The County holds title to certain Orange County Board of Education and Chapel Hill-Carrboro City Board of Education properties that have not been included in capital assets. The properties have been deeded to the County to permit installment purchase financing of acquisition and construction costs and to permit the County to receive refunds of sales tax paid for construction costs. Agreements between the County and the Board of Education give the Board of Education full use of the facilities, full responsibility for maintenance of the facilities, and provide that the County will convey title to the property back to the Board of Education once all restrictions of the financing agreements and all sales tax reimbursement requirements have been met. The properties are reflected as capital assets in the financial statements of the Orange County Board of Education and Chapel Hill-Carrboro City Board of Education.

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

Buildings and land improvements	20-30 years
Automotive equipment	3-5 years
Office and other equipment	5-20 years
Sewer lines	40 years

#### M. Deferred Outflows/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(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. One item that qualifies for reporting in this category is the deferred charge on refunding reported in the government-wide and proprietary fund statements of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded debt or the refunding debt.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### M. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial statements 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 future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has one item that qualifies for reporting in this category which occurs in the governmental activities. The County reports a deferred inflow of resources for the property taxes paid in advance of the period they were intended to finance. Additionally, the County reports one (1) item which is reported as a deferred inflow of resources which arises only under a modified accrual basis of accounting. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from the accrual of ad valorem taxes and intergovernmental revenues which are earned by the County but are not considered available for the liquidation of current expenditures. Additionally, deferred inflows of resources are reported for outstanding lien receivables which are not collected within 90 days of the County's fiscal year-end.

The County also has deferred inflows and outflows related to the recording of changes in its net pension liability – LGERS, net pension liability – ROD, and total pension liability - LEOSSA. Certain changes in the net pension liability are recognized as pension expense over time instead of all being recognized in the year of occurrence. Experience gains or losses result from periodic studies by the County's actuary which adjust the net pension liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience gains or losses are recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. Changes in actuarial assumptions which adjust the net pension liability are also recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. Changes in proportion and differences between employer contributions and proportionate share of contributions which adjust the net pension liability are also recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. The difference between projected investment return on pension investments and actual return on those investments is also deferred and amortized against pension expense over a five year period.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **N. Compensated Absences**

Permanent employees of the County can earn vacation leave at the rate of 12 days per year for the first two years up to a maximum of 24 days per year after 20 years. Vacation leave may be accumulated with a maximum until January 31 of each year. On that date, any accumulated vacation leave in excess of 240 hours is converted to sick leave. The maximum amount of vacation leave that can be carried forward to February 1 is 240 hours. At termination, employees are paid for any accumulated vacation leave. These amounts are paid from the same fund to which the employee's salary is charged. Permanent employees of the County earn sick leave at a rate of 12 days per year. There is no limit on the accumulation of sick leave for the County. Sick leave does not vest with employees and therefore the County does not report a liability for unused sick leave.

#### **O. Long-Term Obligations**

In the government-wide financial statements and proprietary fund types 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 type statement of net position. Bond premiums and discounts are accrued and amortized over the term of the bonds using the effective interest method. Bonds payable are reported net of the applicable discount or premium. Bond issuance costs are expensed in the year of issuance.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of the 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.

#### **P. Fund Equity**

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net position."

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### P. Fund Equity (Continued)

**Fund Balance** – Generally, fund balance represents the difference between the assets and liabilities and deferred inflows of resources under the current financial resources management focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the County is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

Fund balances are classified as follows:

*Nonspendable* – Fund balances are reported as nonspendable when amounts cannot be spent because they are either: (a) not in spendable form (i.e., items that are not expected to be converted to cash), or (b) legally or contractually required to be maintained intact.

*Restricted* – Fund balances are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. One component of the restricted fund balance of the General Fund relates to the Stabilization by State Statute (*G.S. 159-8(a)*) which requires total fund balance less the fund balance available for appropriation equals the total amount that must be restricted.

*Committed* – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by the County's Board of Commissioners. Approval of a resolution after a formal vote of the County's Board is required to establish a commitment of fund balance. Similarly, the County's Board may only modify or rescind the commitment by formal vote and adoption of a subsequent resolution.

*Assigned* – Fund balances are reported as assigned when amounts are constrained by the County's intent to be used for specific purposes, but are neither restricted nor committed. The County's Board of Commissioners, through County Ordinance, has expressly delegated to the County Manager the authority to assign funds for particular purposes.

*Unassigned* – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The County reports positive unassigned fund balance only in the general fund.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### P. Fund Equity (Continued)

**Flow Assumptions** – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the County’s policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the County’s policy to use fund balance in the following order: (1) Committed, (2) Assigned, and (3) Unassigned.

**Net Position** – Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, in reporting which utilizes the economic resources measurement focus. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the County has spent) for the acquisition, construction or improvement of those assets.

Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net position is reported as unrestricted. As with many counties in the State of North Carolina, the County’s deficit in unrestricted net position is due primarily to the portion of the County’s outstanding general obligation and installment debt totaling approximately \$81 million incurred for the Orange County Board of Education and Chapel Hill-Carrboro City Board of Education (the “school system”). Under North Carolina law, the County is responsible for providing school system capital funding and has done so using a mixture of County funds and general obligation debt. The deficit results because the debt is recorded on the County’s financial statements as the issuing government, while the related assets are owned, operated, and recorded in the school system’s financial statements.

The County applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

#### Q. Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees’ Retirement System (LGERS) and the Register of Deeds’ Supplemental Pension Fund (RODSPF) and additions to/deductions from LGERS’ and RODSPF’s fiduciary net position have been determined on the same basis as they are reported by LGERS and RODSPF. 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.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### R. Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, deferred inflows of resources, and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS

#### A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds and net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$219,289,692 difference are as follows:

Installment notes	\$ (114,952,175)
Bonds payable	(57,812,845)
Deferred outflow of resources - deferred charges on refunding	627,649
Revolving loan payable	(2,388,317)
Accrued interest payable	(1,740,135)
Claims payable, not accounted for in an internal service fund	(601,224)
Compensated absences (i.e., vacation)	(3,265,421)
Net OPEB obligation	<u>(39,157,224)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$ (219,289,692)</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS (CONTINUED)

#### A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position (Continued)

Another element of that reconciliation explains that “the net pension liability (asset), total pension liability and related deferred inflows and outflows of resources related to the County’s defined benefit pension plans are not expected to be liquidated with expendable available financial resources and, therefore, are not reported in the funds.” The details of this \$5,546,285 difference are as follows:

Total pension liability - Law Enforcement Officers' Special Separation	
Allowance (LEOSSA) - pension plan	\$ (3,542,524)
Deferred outflows of resources - LEOSSA	75,277
Deferred inflows of resources - LEOSSA	(70,386)
Net pension liability - LGERS	(15,718,303)
Deferred outflows of resources - LGERS	13,996,090
Deferred inflows of resources - LGERS	(550,787)
Net pension asset - Register of Deeds Retirement Plan	215,578
Deferred outflows of resources - Register of Deeds	64,847
Deferred inflows of resources - Register of Deeds	<u>(16,077)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$ (5,546,285)</u></u>

#### B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net change in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$881,832 difference are as follows:

Capital outlay	\$ 3,207,630
Depreciation expense	<u>(4,089,462)</u>
Net adjustment to decrease <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position - governmental activities</i>	<u><u>\$ (881,832)</u></u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS (CONTINUED)

#### B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities (Continued)

Another element of the reconciliation states that “the issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.” The details of this \$10,476,155 difference are as follows:

Payments on long-term liabilities	\$	19,830,716
Issuance of installment notes payable		<u>(9,354,561)</u>
Net adjustment to increase <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position - governmental activities</i>	\$	<u>10,476,155</u>

Another element of the reconciliation states that “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.” The details of this \$794,912 difference are as follows:

Compensated absences (i.e., vacation)	\$	415,741
Change in accrued interest		302,217
Amortization of premium and deferred charges		3,240,654
Claims payable, not accounted for in an internal service fund		(112,639)
Net pension liability and related deferred outflows and inflows - LGERS		(1,154,127)
Total pension liability and related deferred outflows and inflows - LEOSSA		(105,540)
Net pension asset and related deferred outflows and inflows- ROD		(1,650)
Net OPEB obligation		<u>(3,379,568)</u>
Net adjustment to decrease <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position - governmental activities</i>	\$	<u>(794,912)</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

**Expenditures in Excess of Appropriations.** The budget is officially adopted by the governing body prior to the beginning of its fiscal year, or a resolution authorizing the continuation of necessary and essential expenditures to operate the County will be adopted. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level, within the fund. Transfers of appropriations within a department budget or within a non-departmental expenditure category require only the approval of the County Manager. Increases in appropriations in a departmental budget or in a non-departmental expenditure category, require approval of the governing body in the form of amendments to the budget resolution.

The following is a list of the funds and departments which reported expenditures in excess of approved budgets:

General Fund:	
General government:	
Non-departmental	\$ 266,163
County attorney's office	5,064
Register of deeds	19,656
Education:	
Fair funding	36,336
Debt service:	
Interest	159,449
Grant Supported Fund:	
Human services	851
Section 8 Housing Fund:	
Human services	139,495
Solid Waste Landfill Fund:	
Landfill	486,958
Debt service	48,047
SportsPlex Fund:	
Debt service	33,396
Dental and Health Insurance Fund:	
Operations	764,679
Vehicle Replacement Fund:	
Capital outlay	79,193
Debt service	418,882

The over expended departments were funded through greater than anticipated revenues and other savings noted in other departments within the funds.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

**Deficit Net Position.** The Vehicle Replacement Fund is reporting a deficit net position as of June 30, 2017 of (\$758,173). This deficit will be recovered as the annual debt service payments are charged out to the participating funds.

### NOTE 4. DEPOSITS AND INVESTMENTS

Total deposits as of June 30, 2017 are summarized as follows:

Statement of Net Position:

Cash and cash equivalents	\$ 91,533,509
Restricted cash and cash equivalents	28,934,276
Fiduciary - agency funds	10,964,816
	<u>\$ 131,432,601</u>
Cash deposited with financial institutions	\$ 43,333,426
Cash deposited with NCCMT	88,099,175
	<u>\$ 131,432,601</u>

In addition to the above, the County's OPEB Trust Fund includes \$75,693 of cash equivalents invested with the State Treasurer's Short Term Investment Fund.

**Credit risk.** State statutes and the County's policies authorize the County to invest in obligations of the State of North Carolina or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime bankers' acceptances; the North Carolina Capital Management Trust (NCCMT); and obligations of other political subdivisions of the state of North Carolina. The County does not have a credit rating policy which provides restrictions or limitations on credit ratings for the County's investments.

As of June 30, 2017, the County had \$88,099,175 invested in the NCCMT's cash portfolio which carried a credit rating of AAAm by Standard and Poor's. The NCCMT's cash portfolio is valued using amortized costs. The County has no policy regarding credit risk.

At June 30, 2017, the Orange County OPEB Trust Fund had \$259,922 invested in the State Treasurer's Local Government Other Postemployment Benefits (OPEB) Trust pursuant to G.S. 159-30.1. The State Treasurer's OPEB Trust may invest in public equities and both long-term and short-term fixed income obligations as determined by the State Treasurer pursuant to the General Statutes. At year-end, the County's OPEB Trust's investment in the State Treasurer's OPEB Trust was invested as follows: State Treasurer's STIF 29.1%; State Treasurer's BIF 38.1% and BlackRock's MSCI ACWI EQ Index Non-Lendable Class B Fund 32.8%.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 4. DEPOSITS AND INVESTMENTS (CONTINUED)

**Fair Value Measurement.** The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. 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's OPEB Trust Fund has the following recurring fair value measurements as of June 30, 2017: (1) The State Treasurer's STIF assets (\$75,693) are valued using level 1 inputs; (2) the State Treasurer's BIF (\$85,175) is valued using level 2 inputs; and (3) the Blackrocks's MSCI ACWE EQ Index Non-Lendable Class B Fund (\$99,054) is valued using level 3 inputs.

The underlying investments in the STIF are recorded at fair value as of year-end in accordance with STIP operating procedures using active market information for trades at year-end. For the BIF, fair value is determined daily with the fair value for the fixed income securities in the BIF being calculated by a third party pricing vendor based on future principal and interest payments discounted using market yields. Fair values are determined for the Blackrocks MSCI ACWE EQ Index Non-Lendable Class B Fund using net asset value measured as of the County's year-end using the value of the underlying investments with are predominately in international equities. The County invests in the Blackrock fund through the Office of the State Treasurer and there are no restrictions on withdrawal.

**Interest Rate Risk:** The County does not have a formal investment interest rate policy that manages its exposure to fair value losses arising from increasing interest rates. The State Treasurer's STIF had a weighted average maturity of 1.6 years at June 30, 2017. The State Treasurer's BIF had a weighted average maturity of 7.99 years at June 30, 2017. The County's investments with the NCCMT reported a weighted-average duration of 0.09 years at June 30, 2017.

**Credit risk:** The County does not have a formal investment policy regarding credit risk for the OPEB Trust Fund. The STIF is unrated and authorized under NC General Statute 147-69.1. The State Treasurer's STIF is invested in highly liquid fixed income securities consisting primarily of short to intermediate term treasuries, agencies, and money market instruments. The BIF is unrated and authorized under NC General Statute 147-69.1 and 147-69.2. The State Treasurer's BIF is invested in high quality debt securities eligible under G.S. 147-69.2(b)(1)-(6). The Blackrock MSCI ACWE EQ Index Non-Lendable Class B Fund is unrated.

**Custodial credit risk – deposits:** Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes (G.S. 159-31) require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of June 30, 2017, the County's deposits are insured or collateralized as required by GASB and state statutes.

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 5. RECEIVABLES**

Receivables at June 30, 2017, for the County's individual major funds and aggregate nonmajor funds, including any applicable allowances for uncollectible accounts are as follows:

	<u>General</u>	<u>County Capital Improvements</u>	<u>Solid Waste Landfill</u>	<u>SportsPlex</u>	<u>Other Governmental</u>
Receivables:					
Taxes	\$ 3,977,413	\$ -	\$ -	\$ -	\$ 203,525
Accounts	471,923	12,267	496,586	17,364	2,711,877
Due from other governments	10,147,938	-	-	-	-
Less allowance for uncollectible	<u>(2,000,033)</u>	<u>-</u>	<u>(111,139)</u>	<u>-</u>	<u>-</u>
Net total receivables	<u>\$ 12,597,241</u>	<u>\$ 12,267</u>	<u>\$ 385,447</u>	<u>\$ 17,364</u>	<u>\$ 2,915,402</u>

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## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. CAPITAL ASSETS

Capital asset activity for the County for the year ended June 30, 2017 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Nondepreciable capital assets:				
Land and easements	\$ 18,027,079	\$ 1,423,705	\$ -	\$ 19,450,784
Intangible rights	481,624	-	-	481,624
Construction in progress	20,073,034	1,065,322	-	21,138,356
Total	<u>38,581,737</u>	<u>2,489,027</u>	<u>-</u>	<u>41,070,764</u>
Capital assets, being depreciated:				
Buildings and improvements	97,323,589	-	-	97,323,589
Leasehold improvements	3,411,653	-	-	3,411,653
Automotive equipment	7,405,197	38,973	(1,216,300)	6,227,870
Other equipment	8,849,020	679,630	(28,085)	9,500,565
Total being depreciated	<u>116,989,459</u>	<u>718,603</u>	<u>(1,244,385)</u>	<u>116,463,677</u>
Less accumulated depreciation for:				
Buildings and improvements	(39,438,687)	(2,943,785)	-	(42,382,472)
Leasehold improvements	(1,108,789)	(170,583)	-	(1,279,372)
Automotive equipment	(7,190,377)	(56,468)	1,163,999	(6,082,846)
Other equipment	(6,280,544)	(918,626)	13,135	(7,186,035)
Total	<u>(54,018,397)</u>	<u>(4,089,462)</u>	<u>1,177,134</u>	<u>(56,930,725)</u>
Total capital assets, being depreciated, net	<u>62,971,062</u>	<u>(3,370,859)</u>	<u>(67,251)</u>	<u>59,532,952</u>
Governmental activities capital assets, net	<u>\$ 101,552,799</u>	<u>\$ (881,832)</u>	<u>\$ (67,251)</u>	<u>\$ 100,603,716</u>
<b>Internal Service Fund:</b>				
Reported in governmental activities:				
Vehicles	\$ 3,253,910	\$ 1,510,768	\$ (10,000)	\$ 4,754,678
Less accumulated depreciation	(1,696,991)	(985,583)	10,000	(2,672,574)
Total internal service fund capital assets, net	<u>1,556,919</u>	<u>\$ 525,185</u>	<u>\$ -</u>	<u>2,082,104</u>
Total governmental activities capital assets, net	<u>\$ 103,109,718</u>			<u>\$ 102,685,820</u>

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 6. CAPITAL ASSETS (CONTINUED)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Solid Waste Landfill:</b>				
Nondepreciable capital assets:				
Land	\$ 1,442,890	\$ -	\$ (618,297)	\$ 824,593
Construction in progress	9,857	855,740	-	865,597
Total	<u>1,452,747</u>	<u>855,740</u>	<u>(618,297)</u>	<u>1,690,190</u>
Capital assets, being depreciated:				
Land improvements	3,956,457	-	-	3,956,457
Buildings	5,084,038	-	-	5,084,038
Equipment	10,568,852	763,149	(484,581)	10,847,420
Total	<u>19,609,347</u>	<u>763,149</u>	<u>(484,581)</u>	<u>19,887,915</u>
Less accumulated depreciation for:				
Land improvements	(3,379,674)	(18,011)	-	(3,397,685)
Buildings	(1,251,313)	(166,378)	-	(1,417,691)
Equipment	(8,405,335)	(1,314,466)	484,581	(9,235,220)
Total	<u>(13,036,322)</u>	<u>(1,498,855)</u>	<u>484,581</u>	<u>(14,050,596)</u>
Total capital assets being depreciated, net	<u>6,573,025</u>	<u>(735,706)</u>	<u>-</u>	<u>5,837,319</u>
Solid Waste Landfill capital assets, net	<u>\$ 8,025,772</u>	<u>\$ 120,034</u>	<u>\$ (618,297)</u>	<u>\$ 7,527,509</u>

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 6. CAPITAL ASSETS (CONTINUED)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>SporstPlex</b>				
Nondepreciable capital assets:				
Land	\$ 794,466	\$ -	\$ -	\$ 794,466
Construction in progress	20,287	-	-	20,287
Total	<u>814,753</u>	<u>-</u>	<u>-</u>	<u>814,753</u>
Capital assets, being depreciated:				
Buildings	8,367,420	-	-	8,367,420
Equipment	490,591	58,884	-	549,475
Total	<u>8,858,011</u>	<u>58,884</u>	<u>-</u>	<u>8,916,895</u>
Less accumulated depreciation for:				
Buildings	(2,446,247)	(304,815)	-	(2,751,062)
Equipment	(239,590)	(67,528)	-	(307,118)
Total	<u>(2,685,837)</u>	<u>(372,343)</u>	<u>-</u>	<u>(3,058,180)</u>
Total capital assets being depreciated, net	<u>6,172,174</u>	<u>(313,459)</u>	<u>-</u>	<u>5,858,715</u>
SportsPlex Fund capital assets, net	<u>\$ 6,986,927</u>	<u>\$ (313,459)</u>	<u>\$ -</u>	<u>\$ 6,673,468</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Efland Sewer Operating Fund:</b>				
Nondepreciable capital assets:				
Land right of way	\$ 57,117	\$ -	\$ -	\$ 57,117
Total	<u>57,117</u>	<u>-</u>	<u>-</u>	<u>57,117</u>
Capital assets, being depreciated:				
Sewer Lines	3,707,847	-	-	3,707,847
Less accumulated depreciation	(1,515,129)	(87,134)	-	(1,602,263)
Total capital assets being depreciated, net	<u>2,192,718</u>	<u>(87,134)</u>	<u>-</u>	<u>2,105,584</u>
Efland Sewer Operating Fund capital assets, net	<u>\$ 2,249,835</u>	<u>\$ (87,134)</u>	<u>\$ -</u>	<u>\$ 2,162,701</u>

**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 6. CAPITAL ASSETS (CONTINUED)**

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

Governmental activities:	
Community services	\$ 218,797
General government	3,271,178
Public safety	517,720
Support services	<u>81,767</u>
Total depreciation expense - governmental activities	<u>\$ 4,089,462</u>
Internal service fund - Vehicle Replacement Fund	<u>\$ 985,583</u>
Business-type activities	
Solid Waste Landfill	\$ 1,498,855
SportsPlex	372,343
Efland Sewer Operating	<u>87,134</u>
Total depreciation expense - business-type activities	<u>\$ 2,943,915</u>

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## NOTES TO FINANCIAL STATEMENTS

### NOTE 7. LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2017 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
General obligation bonds	\$ 59,280,000	\$ -	\$ (8,850,000)	\$ 50,430,000	\$ 10,190,000
Bond premium	9,995,850	-	(2,613,005)	7,382,845	-
General obligation bonds	<u>69,275,850</u>	<u>-</u>	<u>(11,463,005)</u>	<u>57,812,845</u>	<u>10,190,000</u>
Installment notes payable	118,995,610	10,144,283	(11,184,118)	117,955,775	12,373,554
Revolving loan payable	2,533,957	-	(145,640)	2,388,317	145,640
Net pension liability - LGERS	2,996,657	16,049,037	(3,327,391)	15,718,303	-
Total pension liability - LEOSSA	3,494,747	257,894	(210,117)	3,542,524	-
Compensated absences	3,681,162	2,806,007	(3,221,748)	3,265,421	1,959,253
Claims payable	488,585	240,197	(127,558)	601,224	601,224
Net OPEB obligation	<u>35,777,656</u>	<u>6,322,484</u>	<u>(2,942,916)</u>	<u>39,157,224</u>	<u>-</u>
Governmental activity					
Long-term liabilities	<u>\$ 237,244,224</u>	<u>\$ 35,819,902</u>	<u>\$ (32,622,493)</u>	<u>\$ 240,441,633</u>	<u>\$ 25,269,671</u>
<b>Business-type activities:</b>					
Installment notes	9,799,916	3,326,717	(941,082)	12,185,551	969,047
Post-closure liability	5,592,270	424,839	(135,381)	5,881,728	206,688
Net pension liability - LGERS	181,927	950,258	(197,799)	934,386	-
Compensated absences	328,643	184,830	(299,717)	213,756	128,254
Net OPEB obligation	<u>2,572,559</u>	<u>426,538</u>	<u>(357,852)</u>	<u>2,641,245</u>	<u>-</u>
Business-type activity					
Long-term liabilities	<u>\$ 18,475,315</u>	<u>\$ 5,313,182</u>	<u>\$ (1,931,831)</u>	<u>\$ 21,856,666</u>	<u>\$ 1,303,989</u>

For governmental funds, compensated absences are liquidated by the General Fund. The net pension liability – LGERS, total pension liability - LEOSSA, OPEB obligation, and compensated absences are liquidated primarily by the General Fund. The claims payable liability is liquidated through the General Fund. As discussed further in Notes 9 and 14, the beginning balance of the LEOSSA pension liability has been restated due to the implementation of GASB Statement No. 73, as of July 1, 2016. The beginning balance of the post-closure liability was reduced by \$1,178,945 to account for the portion of the landfill capacity which is still open and in operation.

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 7. LONG-TERM DEBT (CONTINUED)**

**General Obligation Bonds**

All general obligation bonds, serviced by the County’s General Fund, are collateralized by full faith, credit, and taxing power of the County. The outstanding balances for the bonds as of June 30, 2017 are as follows:

<i><b>Governmental activities</b></i>	<u>Balance as of June 30, 2017</u>
\$15,140,000 2015 Refunding serial bond, due in annual installments of \$670,000 to \$5,045,000 through April 1, 2019; interest at 1.63%	\$ 5,215,000
\$22,455,000 2010 Refunding serial bond, due in annual installments of \$150,000 to \$3,070,000 through February 1, 2022; interest at 2.00% to 4.00%	12,895,000
\$24,440,000 2011 Refunding serial bond, due in semi-annual installments of \$20,550 to, \$6,890,250 through February 1, 2023; interest at 2.00% to 4.00%	21,915,000
\$13,300,000 2012 Refunding serial bond, due in semi-annual installments through April 30, 2021; interest at 2.00-4.00%	10,405,000
Total outstanding general obligation bonds payable	<u>\$ 50,430,000</u>

Of the amount serviced by the County’s General Fund shown above, \$33,082,237 is considered to be school bond debt.

The debt service to maturity on the general obligation bonds is as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Year Ending June 30,			
2018	\$ 10,190,000	\$ 1,669,305	\$ 11,859,305
2019	9,245,000	1,421,571	10,666,571
2020	10,010,000	1,122,700	11,132,700
2021	11,135,000	752,950	11,887,950
2022	8,480,000	362,850	8,842,850
2023	1,370,000	41,100	1,411,100
Total	<u>\$ 50,430,000</u>	<u>\$ 5,370,476</u>	<u>\$ 55,800,476</u>

As of June 30, 2017, the County has \$125 million of authorized but unissued bonds.

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 7. LONG-TERM DEBT (CONTINUED)**

**Installment Notes Payable**

Installment notes serviced by the County enterprise funds are as follows:

	<b>Balance as of June 30, 2017</b>
<b><i>Business-type activities</i></b>	
<b><i>Solid Waste Landfill Fund:</i></b>	
\$38,305,000 2011 Limited obligation bond, due in annual installments of \$106,136 to \$182,211 through October 1, 2027; interest at 2.00% to 5.00%	\$ 1,206,527
\$58,980,000 2012 Limited obligation bond, due in annual installments of \$51,944 to \$213,292 through October 1, 2033; interest at 2.00% to 5.00%	2,259,685
\$20,110,000 2015 Limited obligation bond, due in annual installments of \$13,892 to \$110,360 through April 1, 2035; interest at 2.00% to 5.00%	807,766
Installment note payable, due in annual payments of \$10,948 to \$11,004; interest at 2.55% through May 13, 2031	153,496
Installment note payable, due in annual payments of \$72,686 to \$83,207; interest at 2.30% through May 13, 2023	471,267
Installment note payable, due in annual payments of \$36,883 to \$22,798; interest at 2.83% through June 1, 2037	562,717
<b><i>SportsPlex Fund:</i></b>	
\$38,305,000 2011 Limited obligation bond, due in annual installments of \$67,050 to \$204,630 through October 1, 2027; interest at 2.00% to 5.00%	851,729
\$20,110,000 2015 Limited obligation bond, due in annual installments of \$53,456 to \$424,678 through April 1, 2035; interest at 2.00% to 5.00%	3,108,364
Installment note payable, due in annual payments of \$36,883 to \$22,798; interest at 2.83% through June 1, 2037	2,764,000
Total outstanding limited obligation bonds payable (installment notes)	\$ 12,185,551

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 7. LONG-TERM DEBT (CONTINUED)

#### Installment Notes Payable (Continued)

The debt service to maturity on the installment notes payable is as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 969,047	\$ 463,117	\$ 1,432,164
2019	978,868	430,532	1,409,400
2020	990,542	390,611	1,381,153
2021	893,201	350,374	1,243,575
2022	901,699	314,021	1,215,720
2023-2027	4,634,868	1,009,481	5,644,349
2028-2032	1,867,900	302,149	2,170,049
2033-2037	949,426	74,255	1,023,681
Total	<u>\$ 12,185,551</u>	<u>\$ 3,334,540</u>	<u>\$ 15,520,091</u>

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**NOTES TO FINANCIAL STATEMENTS**

**NOTE 7. LONG-TERM DEBT (CONTINUED)**

**Installment Notes Payable (Continued)**

The County has various installment notes outstanding for buildings, equipment, and vehicle financing arrangements. The outstanding balances for the notes as of June 30, 2017 are as follows:

<i><b>Governmental activities</b></i>	<i><b>Balance as of June 30, 2017</b></i>
A Certificate of Participation for \$9,889,439 was issued in January 2011 with annual payments of \$659,296. The note bears an interest rate of 4% to 5% and matures in 2026.	\$ 5,933,663
An installment note issued by BB&T for \$9,000,000 was issued in December 2006 with annual payments of \$600,000. The note bears an interest rate of 4.39% and matures in 2023.	3,000,000
Limited obligation bonds by for \$38,305,000 issued in September 2011 with annual payments of \$2,061,814 to \$4,693,159. The bond bears an interest rate of 2% to 5% and matures in 2028.	24,591,743
Limited obligation bonds by for \$58,980,000 issued in April 2012 with annual payments of \$789,249 to \$4,426,708. The bond bears an interest rate of 2% to 5% and matures in 2034.	40,615,315
\$4,136,434 of Qualified School Construction Bonds, due in annual installments of \$275,762 at 0% interest through March 15, 2025.	2,206,099
Limited obligation bonds by for \$20,110,000 issued in June 2015 with annual payments of \$193,055 to \$1,533,714. The bond bears an interest rate of 2% to 5% and matures in 2035.	11,225,782
A note issued by SunTrust Bank for \$2,550,000 was issued in July 2013 with annual payments of \$475,615. The note bears an interest rate of 1.50% and matures in 2018.	475,616
A note issued by SunTrust Bank for \$6,950,000 was issued in July 2013 with annual payments of \$407,536 to \$466,290. The note bears an interest rate of 2.13% and matures in 2028.	4,851,276
A note issued by Sterling Bank for \$9,354,561 was issued in June 2017 with annual payments of \$613,182 to \$378,570. The note bears an interest rate of 2.83% and matures in 2037.	9,354,561
	<i><b>Continued</b></i>

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 7. LONG-TERM DEBT (CONTINUED)**

**Installment Notes (Continued)**

<i>Governmental activities (continued)</i>	<u>Balance as of June 30, 2017</u>
A note issued by Bank of America for \$10,589,000 was issued in January 2014 with annual payments of \$410,838 to \$1,114,477. The note bears an interest rate of 2.42% and matures in 2029.	6,344,653
A note issued by First Bank for \$2,750,000 was issued in May 2016 with annual payments of \$380,052 to \$381,996. The note bears an interest rate of 2.55% and matures in 2031.	5,328,534
A note issued by First Bank for \$5,875,000 was issued in May 2016 with annual payments of \$126,227 to \$144,497. The note bears an interest rate of 2.3% and matures in 2023.	818,401
A note issued by SunTrust Bank for \$500,000 was issued in June 2014 with annual payments of \$99,830 to \$103,294. The note bears an interest rate of 2.25% and matures in 2019.	206,535
A note issued by SunTrust Bank for \$2,550,000 was issued in July 2013 with annual payments of \$34,385. The note bears an interest rate of 1.5% and matures in 2018.	34,382
A note issued by SunTrust Bank for \$6,950,000 was issued in July 2013 with annual payments of \$29,800 to \$33,711. The note bears an interest rate of 2.13% and matures in 2028.	350,724
A note issued by Bank of America for \$10,589,000 was issued in January 2014 with annual payments of \$38,162 to \$103,523. The note bears an interest rate of 2.42% and matures in 2028.	589,347
Limited obligation bonds by for \$20,110,000 issued in June 2015 with annual payments of \$9,598 to \$76,248. The bond bears an interest rate of 2% to 5% and matures in 2035.	558,088
A note issued by First Bank for \$2,750,000 was issued in May 2016 with annual payments of \$105,086 to \$120,296. The note bears an interest rate of 2.55% and matures in 2031.	681,334
A note issued by Sterling Bank for \$789,670 was issued in June 2017 with annual payments of \$51,761 to \$31,948. The note bears an interest rate of 2.83% and matures in 2037.	789,722
<b>Total outstanding installment notes payable</b>	<b><u><u>\$ 117,955,775</u></u></b>

Of the original amount serviced by the County's governmental activities shown above, \$47,948,354 is considered to be school related debt.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 7. LONG-TERM DEBT (CONTINUED)

The debt service to maturity on the installment notes is as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 12,373,554	\$ 4,610,077	\$ 16,983,631
2019	11,992,485	4,167,441	16,159,926
2020	11,178,520	3,702,102	14,880,622
2021	10,893,857	3,266,317	14,160,174
2022	10,942,359	2,822,748	13,765,107
2023-2027	44,448,036	7,845,221	52,293,257
2028-2032	12,608,399	1,700,085	14,308,484
2033-2037	3,518,565	245,676	3,764,241
Total	<u>\$ 117,955,775</u>	<u>\$ 28,359,667</u>	<u>\$ 146,315,442</u>

### State Revolving Loan Serviced by Governmental Funds

The June 21, 2011, the County was approved for a maximum loan amount of \$3,500,000 from the U. S. Environmental Protection Agency passed through the North Carolina Department of Environment and Natural Resources under the Clean Water State Revolving Fund. The loan proceeds are being used for the construction of an extension to the Town Efland's Sewer System. The loan is being reported as long-term debt in governmental activities and is repayable at 2.445% for 20 year beginning six months after the completion of the project. Debt service on the loans are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 145,640	\$ 54,141	\$ 199,781
2019	145,640	50,830	196,470
2020	145,640	47,519	193,159
2021	145,640	44,207	189,847
2022	145,640	40,896	186,536
2023-2027	728,200	154,812	883,012
2028-2032	728,200	72,032	800,232
2033-2035	203,717	5,634	209,351
Total	<u>\$ 2,388,317</u>	<u>\$ 470,071</u>	<u>\$ 2,858,388</u>

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 7. LONG-TERM DEBT (CONTINUED)**

State and Federal laws and regulations require the County to place a final cover on its landfills when it stops accepting waste and to perform certain maintenance and monitoring functions at the sites after closure. The County reported a liability for closure and post-closure care in the Solid Waste Landfill Fund of \$5,881,728. The County's municipal solid waste landfill is no longer accepting waste, has been closed and all estimated post-closure costs have been accrued. Phase 1 of the County's construction and demolition landfill continues to accept waste while the remaining phases have not be opened and are not included in the liability estimate. As of June 30, 2017, the construction and demolition landfill has used approximately 73% of the permitted 292,000 cubic yards of capacity. The remaining costs, not yet accrued for the construction and demolition landfill of \$806,521 will be recognized over the future life of the landfills as capacity is used. Actual costs may be higher upon completion of the cost estimates, or due to inflation, change in technology, or changes in regulations.

**NOTE 8. INTERFUND BALANCES AND TRANSFERS**

The composition of interfund balances as of June 30, 2017 is as follows:

Advance to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Efland Sewer Fund	\$ 136,000
		<u>\$ 136,000</u>

The Efland Sewer Fund has a payable to the General Fund for a reimbursement owed for prior financing sources provided to the fund. The balance is expected to be repaid within the next several fiscal years.

Interfund transfers:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Nonmajor governmental funds	\$ 2,952,600
General Fund	County Capital Improvements Fund	60,000
		<u>\$ 3,012,600</u>
County Capital Improvements Fund	General Fund	\$ 867,500
County Capital Improvements Fund	Nonmajor governmental funds	78,153
		<u>\$ 945,653</u>
School Capital Improvements Fund	General Fund	<u>\$ 5,150,784</u>
Nonmajor governmental funds	General Fund	<u>\$ 597,331</u>
Solid Waste Landfill Fund	General Fund	<u>\$ 1,284,719</u>
SportsPlex Fund	General Fund	<u>\$ 152,850</u>
Efland Sewer Fund	General Fund	<u>\$ 130,780</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 9. PENSION PLANS

Orange County participates in three defined benefit pension plans: the Local Governmental Employees' Retirement System (LGERS), Law Enforcement Officers Special Separation Allowance, and the Registers of Deeds' Supplemental Pension Fund (RODSPF). Only the LGERS and RODSPF are funded with qualifying trusts and accounted for by the County under GASB Statement No. 68. The LEOSSA is reported in accordance with GASB Statement No. 73. The net pension liability (asset), total pension liability, and related deferred outflows of resources and deferred inflows of resources for the LGERS, LEOSSA, and RODSPF are summarized as follows:

	LGERS	LEOSSA	RODSPF	Total
Net pension asset	\$ -	\$ -	\$ 215,578	\$ 215,578
Net pension liability	16,652,689	-	-	16,652,689
Total pension liability	-	3,542,524	-	3,542,524
Deferred outflows of resources related to pensions	14,828,097	75,277	64,847	14,968,221
Deferred inflows of resources related to pensions	583,529	70,386	16,077	669,992

#### A. Local Governmental Employees' Retirement System

**Plan Description.** Orange County is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the state of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the state of North Carolina. The state's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 9. PENSION PLANS (CONTINUED)

#### A. Local Governmental Employees' Retirement System (Continued)

**Benefits Provided.** LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic postretirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

**Contributions.** Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Orange County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Orange County's contractually required contribution rate for the year ended June 30, 2017, was 8.00% of compensation for law enforcement officers and 7.25% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Orange County were \$3,525,190 for the year ended June 30, 2017.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 9. PENSION PLANS (CONTINUED)

#### A. Local Governmental Employees' Retirement System (Continued)

*Refunds of Contributions* – County employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

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

At June 30, 2017, the County reported a liability of \$16,652,689 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension liability was based on a projection of the County's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2016, the County's proportion was 0.78464%, which was an increase of 0.07639% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the County recognized pension expense of \$4,755,734. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 312,875	\$ 583,529
Net difference between projected and actual earnings on pension plan investments	9,206,840	-
Changes in proportion and differences between County contributions and proportionate share of contributions	642,631	-
Changes in plan assumptions	1,140,561	-
County contributions subsequent to the measurement date	3,525,190	-
Total	\$ 14,828,097	\$ 583,529

## NOTES TO FINANCIAL STATEMENTS

### NOTE 9. PENSION PLANS (CONTINUED)

#### A. Local Governmental Employees' Retirement System (Continued)

County contributions made subsequent to the measurement date of \$3,525,190 are reported as deferred outflows of resources and will be recognized as a decrease of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2018	\$	1,765,550
2019		1,765,698
2020		4,484,545
2021		2,703,585
Total	\$	<u>10,719,378</u>

**Actuarial Assumptions.** The total pension liability as of June 30, 2016 was determined by the December 31, 2015 actuarial valuation using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.75 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 9. PENSION PLANS (CONTINUED)

#### A. Local Governmental Employees' Retirement System (Continued)

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections 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 allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

**Discount rate.** The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 9. PENSION PLANS (CONTINUED)

#### A. Local Governmental Employees' Retirement System (Continued)

**Sensitivity of the County's proportionate share of the net pension liability to changes in the discount rate.**

The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the County's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	<b>1% Decrease (6.25%)</b>	<b>Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
County's proportionate share of the net pension liability (asset)	\$ 39,524,600	\$ 16,652,689	\$ (2,451,631)

**Pension plan fiduciary net position.** Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the state of North Carolina.

#### B. Law Enforcement Officers Special Separation Allowance

**Plan Description.** Orange County administers a public employee retirement system (the "Separation Allowance"), a single employer defined benefit pension plan that provides retirement benefits to the County's qualified sworn law enforcement officers. The Separation Allowance is administered by the State of North Carolina. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. A separate report is not issued for the Plan.

All full time law enforcement officers of the County are covered by the Separation Allowance. At December 31, 2015, the date of the most recent actuarial valuation the Separation Allowance's membership consisted of:

Retirees receiving benefits	9
Active plan members	88
Total	97

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 9. PENSION PLANS (CONTINUED)

#### B. Law Enforcement Officers Special Separation Allowance (Continued)

**Basis of Accounting.** The County has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The Separation Allowance has no assets accumulated in a trust that meets the criteria, which are outlined in GASB Statement 73 paragraph 4.

**Actuarial Assumptions.** The entry age actuarial cost method was used in the December 31, 2015 valuation. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.86 percent

The discount rate used to measure the TPL is the Bond Buyer General Obligation 20-year Municipal Bond Index. Since the prior measurement date, the discount rate has changed from 3.57% to 3.86% due to a change in the Municipal Bond Rate.

The plan currently uses mortality tables that vary by age, and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

**Contributions.** The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The County paid \$147,596 as benefits came due for the reporting period.

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 9. PENSION PLANS (CONTINUED)**

**B. Law Enforcement Officers Special Separation Allowance (Continued)**

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

At June 30, 2017, the County reported a total pension liability of \$3,542,524. The total pension liability was measured as of December 31, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the County recognized pension expense of \$253,136.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Change in assumptions	\$ -	\$ 70,386
County benefit payments made subsequent to the measurement date.	75,277	-
Total	\$ 75,277	\$ 70,386

An amount of \$75,277, reported as deferred outflows of resources related to pensions, resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized as reductions of pension expense as follows:

<b>Year ended June 30</b>	
2018	\$ 13,774
2019	13,774
2020	13,774
2021	13,774
2022	13,774
Thereafter	1,516
Total	\$ 70,386

## NOTES TO FINANCIAL STATEMENTS

### NOTE 9. PENSION PLANS (CONTINUED)

#### B. Law Enforcement Officers Special Separation Allowance (Continued)

**Changes in the Total Pension Liability.** The changes in the total pension liability of the County for the fiscal year ended June 30, 2017 were as follows:

	<b>Total Pension Liability</b>	
Balance at June 30, 2016	\$	3,494,747
Service cost		135,380
Interest		122,514
Assumption changes		(84,160)
Contributions		(125,957)
Balance at June 30, 2017	\$	3,542,524

The required schedule of changes in the County's total pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information.

**Sensitivity of the City's total pension liability to changes in the discount rate.** The following presents the County's total pension liability calculated using the discount rate of 3.86 percent, as well as what the County's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.86 percent) or 1-percentage-point higher (4.86 percent) than the current rate:

	<b>1% Decrease (2.86%)</b>	<b>Discount Rate (3.86%)</b>	<b>1% Increase (4.86%)</b>
Total pension liability	\$ 3,841,786	\$ 3,542,524	\$ 3,268,211

#### C. Register of Deeds' Supplemental Pension Fund

**Plan Description.** The County also contributes to the Registers of Deeds' Supplemental Pension Fund (RODSPF), a noncontributory cost-sharing multiple-employer, defined benefit plan administered by the North Carolina Department of State Treasurer. RODSPF provides supplemental pension benefits to any eligible county register of deeds who is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Registers of Deeds' Supplemental Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Registers of Deeds' Supplemental Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 9. PENSION PLANS (CONTINUED)

#### C. Register of Deeds' Supplemental Pension Fund (Continued)

**Benefits Provided.** An individual's benefits for the year are calculated as a share of accumulated contributions available for benefits for that year, subject to certain statutory limits. An individual's eligibility is based on at least 10 years of service as a register of deeds with the individual's share increasing with years of service. Because of the statutory limits noted above, not all contributions available for benefits are distributed.

**Contributions.** Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$6,103 for the year ended June 30, 2017.

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

At June 30, 2017, the County reported an asset of \$215,578 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2016. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on the County's share of contributions to the pension plan, relative to contributions to the pension plan of all participating RODSPF employers. At June 30, 2016, the County's proportion was 1.15307%, which was an increase of 0.06006% from its proportion measured as of June 30, 2015.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 9. PENSION PLANS (CONTINUED)

#### C. Register of Deeds' Supplemental Pension Fund (Continued)

For the year ended June 30, 2017, the County recognized pension expense of \$12,602. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 231	\$ 2,790
Net difference between projected and actual earnings on pension plan investments	369	-
Changes in proportion and differences between County contributions and proportionate share of contributions	710	13,287
Changes in assumptions	57,434	-
County contributions subsequent to the measurement date	6,103	-
Total	\$ 64,847	\$ 16,077

County contributions made subsequent to the measurement date of \$6,103 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability (asset) in the year ended June 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2018	\$ 16,914
2019	19,678
2020	8,485
2021	(2,410)
Total	\$ 42,667

**Actuarial Assumptions.** The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.75 percent, including inflation and productivity factor
Investment rate of return	3.75 percent, net of pension plan investment expense, including inflation

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 9. PENSION PLANS (CONTINUED)

#### C. Register of Deeds' Supplemental Pension Fund (Continued)

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. These projections 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 adopted asset allocation policy for the RODSPF is 100% in the fixed income asset class. The best estimate of arithmetic real rate of return for the fixed income asset class as of June 30, 2016 is 3.75%, including inflation.

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

**Discount rate.** The discount rate used to measure the total pension liability was 3.75%. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at statutorily required rates. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 9. PENSION PLANS (CONTINUED)**

**C. Register of Deeds' Supplemental Pension Fund (Continued)**

**Sensitivity of the County's proportionate share of the net pension asset to changes in the discount rate.** The following presents the County's proportionate share of the net pension asset calculated using the discount rate of 3.75 percent, as well as what the County's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.75 percent) or one percentage point higher (4.75 percent) than the current rate:

	<b>1% Decrease (2.75%)</b>	<b>Discount Rate (3.75%)</b>	<b>1% Increase (4.75%)</b>
County's proportionate share of the net pension liability (asset)	\$ (173,825)	\$ (215,578)	\$ (250,654)

**Pension plan fiduciary net position.** Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the state of North Carolina.

**D. Supplemental Retirement Income Plan for Law Enforcement Officers**

**Plan Description.** The County contributes to the Supplemental Retirement Income Plan ("Plan"), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the County. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the state of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

**Funding Policy.** Article 12E of G.S. Chapter 143 requires the County to contribute, each month, an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Additionally, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2017 were \$289,322 which consisted of \$245,606 from the County and \$43,716 from the law enforcement officers.

**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 10. OTHER POSTEMPLOYMENT BENEFITS**

**Plan Administration.** Under the terms of a County resolution, the County administers a single-employer defined benefit postemployment Healthcare Benefits Plan (the “HCB Plan”). The HCB Plan is administered by the County management, under the direction of the County’s Board of Commissioners. The County pays 100 percent of the cost for “maximum retirees” of the County, while “other retirees” are eligible to enroll in the County’s insurance plan, but must pay the full cost. Maximum Retirees are defined as meeting one of the following criteria: (1) employee with thirty (30) or more years of service with at least fifteen (15) of those years with the County; (2) employee with twenty-seven (27) or more years of service and three (3) years of prior military service with at least fifteen (15) of those years with the County; or (3) members of the governing board who have a total of sixteen (16) years of service in office. To qualify as an “other retiree,” employees must meet one of the two following: (1) have twenty-five (25) to twenty-nine (29) years of service with at least ten (10) with the County or (2) have twenty (20) or more years of qualified service with at least ten (10) years with the County. Coverage for all retirees who are eligible for Medicare will be transferred to a Medicare Supplemental plan after qualifying for Medicare. The County’s Board of Commissioners established and may amend the benefit provisions. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at June 30, 2016, the date of the latest actuarial valuation:

Active participants	893
Retirees and beneficiaries currently receiving benefits	<u>325</u>
Total	<u><u>1,218</u></u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

**Contributions.** The Board of Commissioners established the contribution requirements of plan members which may be amended by the Board. The Board establishes rates based on an actuarially determined rate. For the year ended June 30, 2017, The County contributed \$3,647 per active employee. Plan members, once retired, contribute to the plan based on number of years of creditable service. The County's contribution is dependent on the employee's number of years of creditable service. Retirees pay a monthly premium of \$370 with up to ten years of creditable service and \$185 with ten to twenty years of creditable service. Retirees with more than twenty years of creditable service do not contribute to the plan. The Board of Commissioners may amend the benefit provisions.

Per a County resolution, the County is required to contribute the projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the Board. For the current year, the County established the Trust Fund in June 2017 and made contributions of \$250,000 in addition to pay-as-you go benefit payments also made by the County of \$3,300,768. The Fund is accounted for as a trust fund.

#### Investments

**Investment policy.** The HCB Plan's policy in regard to the allocation of invested assets is established and may be amended by the Board of Commissioners by a majority vote of its members. It is the policy of the Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The HCB Plan's discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. Investments are valued at fair value. The following was the Board's adopted asset allocation policy as of June 30, 2017:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Fixed Income	30.0%	1.4%
Short Term Index Fund	30.0%	7.0%
Equity Index Fund	40.0%	5.3%
Total	100%	

**Rate of return.** For the year ended June 30, 2017, the annual money weighted rate of return on investments of the HCB Plan, net of investment expense, was 4.0 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

#### Plan Disclosures

Effective July 1, 2016, the HCB Plan implemented the provisions of GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which significantly changed the disclosures required related to the HCB Plan. The information disclosed below is presented in accordance with this new standard. The HCB Plan does not issue separate financial statements.

#### Net OPEB Liability of the County

The components of the net OPEB liability of the County at June 30, 2017 were as follows:

Total OPEB Liability	
Service cost at end of year	\$ 4,183,697
Interest on Total OPEB Liability	3,039,332
Changes of assumptions or other inputs	(9,448,990)
Benefit payments	<u>(3,300,768)</u>
Net Change in Total OPEB Liability	<u>(5,526,729)</u>
Total OPEB Liability, beginning	<u>102,290,513</u>
Total OPEB Liability, ending	<u>\$ 96,763,784</u>
Plan Fiduciary Net Position	<u>259,922</u>
Net OPEB Liability	<u>\$ 96,503,862</u>
Plan fiduciary net position as a percentage of the Total OPEB Liability	0.27%

The required schedule of changes in the County's net OPEB liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total OPEB liability.

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2016 and was rolled forward to June 30, 2017, utilizing update procedures by the actuary incorporating the actuarial assumptions. The following actuarial assumptions were utilized and applied to all periods included in the measurement, unless otherwise specified:

Discount Rate:	3.57%
Long-term expected rate of return on OPEB investments	5.00%, net of investment expenses, including inflation
Healthcare Cost Trend Rate:	7.75% - 5%, Ultimate Trend in 2022 (Pre-Medicare) 5.75% - 5%, Ultimate Trend in 2019 (Medicare)
Inflation Rate:	3.00%
Salary increase:	3.50% to 7.35% (LEO) or 7.75% (other), including inflation

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Mortality rates were based on the RP-2014 Healthy Annuitant base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. For general employees, rates are adjusted by 115% (male) and 79% (female) for ages under 78 and by 135% (male) and 116% (female) for age 78 and older. For law enforcement officers, rates are adjusted by 104% for males and 100% for females.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period 2010-2014.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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 weighing the expected future real rates of return by the major target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, are presented in the investment policy section of this note.

**Discount rate.** The discount rate used to measure the total OPEB liability was 3.57 percent. The projection of cash flows used to determine the discount rate assumed that the County will contribute 8.3 percent of covered-employee payroll monthly. Based on those assumptions, the OPEB Trust Fund's fiduciary net position was projected to be available to make projected future benefit payments of current plan members until 2018. Therefore, the long-term expected rate of return on OEPB plan investments was applied to projected benefit payments until 2018 to determine the total OPEB liability. For projected benefit payments of current plan members after 2018, the index rate of 20-year, tax-exempt general obligation municipal bonds with an average rating of AA or higher – which was 3.56 percent as determined by the S&P Municipal Bond 20 year High Grade Rate Index as of June 30, 2017 – was used. The discount rate of 3.57 percent was the single rate which, when applied to all projected benefit payments, resulted in the same present value of benefit payments when the above discussed calculations are combined. The discount rate of 3.57 percent was an increase from the discount rate of 3.02 percent utilized to determine the total OPEB liability as of the beginning of the measurement period due to an increase in the underlying municipal bond rate index utilized.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

**Sensitivity of the net OPEB liability to changes in the discount rate.** The following presents the net OPEB liability of the County, as well as what the County's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.57 percent) or 1-percentage-point higher (4.57 percent) than the current discount rate:

	1% Decrease (2.57 percent)	Discount Rate (3.57 percent)	1% Increase (4.57 percent)
Net OPEB liability	\$ 114,702,277	\$ 96,503,862	\$ 82,208,404

**Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates.** The following presents the net OPEB liability of the County, as well as what the County's net OPEB liability would be if it were to calculate healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current rates	1% Increase
Net OPEB liability	\$ 80,175,867	\$ 96,503,862	\$ 117,748,259

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revisions as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of June 30, 2017 and the current sharing pattern of costs between employer and employee.

#### **Employer Disclosures**

Until the County implements the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective July 1, 2017, the provisions of GASB Statement No. 45 continue to be followed in the financial statements from the employer perspective. The information disclosed below is presented in accordance with GASB Statement No. 45 and these measures and disclosed amounts differ from those used the Plan under GASB Statement No. 74 as previously discussed.

#### **Annual OPEB Cost and Net OPEB Obligation**

**Annual OPEB Cost and Net OPEB Obligation.** The County's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

The following table shows the components of the County’s annual OPEB cost for the current year, the amount actually contributed to the plan, and changes in the County’s net OPEB obligation for the postemployment healthcare benefits:

	June 30, 2017
Annual required contribution	\$ 6,820,935
Interest on OPEB obligation	1,534,009
Adjustment to ARC	(1,605,922)
Annual OPEB Cost	6,749,022
Contributions	(3,300,768)
Increase(decrease) in OPEB obligation	3,448,254
Net OPEB obligation at beginning	38,350,215
Net OPEB obligation at end	\$ 41,798,469

**Funding Policy**

The County pays the full cost of coverage for the healthcare benefits paid to qualified retirees under a County resolution that can be amended by the County’s Board of Commissioners. The County’s Plan members pay the full cost for spouse and dependent coverage. The County has chosen to fund the healthcare benefits on a pay as you go basis.

The current annual required contribution (ARC) rate is 14.79% of annual covered payroll. For the current year, the County contributed \$3,300,768 or 7.2% of annual covered payroll. The County provides coverage through a self-funded risk financing pool administered by the North Carolina Association of County Commissioners.

The following is a schedule of funding progress:

Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded Actuarial Accrued Liability (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	[(b-a)/c] UAAL as a Percentage of Covered Payroll
12/31/15	\$ -	\$ 83,542,665	\$ 83,542,665	0%	\$ 46,104,742	181.2%

The above schedule of funding progress serves as a surrogate for the funded status and the funding progress of the Plan. See required supplementary information for a history of funding progress which presents a multi-year trend about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

#### Employer Contributions

Fiscal Year Ended June 30	Annual OPEB Cost (AOPEBC)	Actual OPEB Contribution	Percentage of AOPEBC Contributed	Net OPEB Obligation
2017	\$ 6,749,022	\$ 3,300,768	48.91%	\$ 41,798,469
2016	5,397,915	2,361,272	43.74%	38,350,215
2015	5,472,316	1,568,004	28.65%	35,313,572

#### Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of December 31, 2015. The assumptions used in the December 31, 2015 actuarial valuation are as follows:

Cost Method:	Projected Unit Credit
Discount Rate:	4%
Healthcare Cost Trend Rate:	7.75% - 5%, Ultimate Trend in 2022
Amortization Method:	Level Percentage of Pay, Closed.
Remaining Amortization Period:	27 years.
Inflation Rate:	3%

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 11. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in three self-funded risk financing pools administered by the North Carolina Association of County Commissioners. Through these pools, the County obtains property coverage equal to replacement cost values of owned property subject to a limit of \$125.5 million for any one occurrence, general, auto, professional, and employment practices liability coverage of \$2 million per occurrence, auto physical damage coverage for owned autos at actual cash value, crime coverage of \$250,000 per occurrence, workers' compensation coverage up to the statutory limits, and health insurance for County employees. The pools are audited annually by certified public accountants, and the audited financial statements are available to the County upon request. Both of the pools are reinsured through a multi-state public entity captive for single occurrence losses in excess of a \$500,000 retention up to a \$2 million limit for liability coverage, and \$1,750,000 of each loss in excess of a \$250,000 per occurrence retention for property, and auto physical damage. For workers' compensation there is a per occurrence retention of \$750,000. The County provides employee health and dental benefits through a self-insured plan provided by Dogwood Insurance Company (DIC). Claims are administered and paid directly from the plan by DIC. Specific stop-loss is set at \$100,000 per individual health insurance claim with an unlimited lifetime maximum. Aggregate stop-loss is set at the level of 125% with a minimum aggregate attachment point of \$6,516,502 and a contract period maximum of \$1,000,000.

The County carries flood insurance through the National Flood Insurance Plan (NFIP). Because the County is in an area of the State that has been mapped and designated an "A" area (an area close to a river, lake, or stream) by the Federal Emergency Management Agency, the County is eligible to purchase coverage of \$1,000,000 per structure through the NFIP. The County also is eligible to and has purchased commercial flood insurance for another \$5,000,000 of coverage per structure.

A limited risk management program is also maintained for employees' health and dental benefits administered by a third-party administrator. Premiums are paid into the Health and Dental Internal Service Fund by all other funds and are available to pay claims and administrative costs of the program. During fiscal year 2017, a total of \$10,409,343 and \$436,727 were incurred for benefits and administrative costs for the dental and health plans, respectively.

## NOTES TO FINANCIAL STATEMENTS

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### **NOTE 11. RISK MANAGEMENT (CONTINUED)**

The County's Internal Service Fund was established to account for an employee self-insurance health benefit program. The purpose of the fund is to pay medical claims of County employees and their covered dependents and minimize the total cost of annual medical insurance to the municipality. Funding is provided by employee contributions and charges to the various funds of the County based upon estimated claim and employee participation. Expected claims are determined annually by the reinsurance carrier. The County carries aggregate stop loss insurance coverage of 125% of annual expected paid claims and individual stop loss coverage of \$100,000 per covered individual and an aggregating specific deductible of \$250,000 through the plan administrator utilizing a reinsurance carrier. The County has recognized a provision for claims incurred, but not reported, in the accompanying financial statements. This provision is estimated based upon actuarial claims history utilizing a two month lag on outstanding claims.

The County participates in the North Carolina Association of County Commissioners' Workers' Compensation Plan for workers' compensation claims up to \$150,000 for each occurrence. The County has reinsurance for all individually claim occurrences in excess of the \$150,000.

The County also purchases commercial insurance to protect against claims for property, general liability, auto liability, public officials, and employee bonds. Claims have not exceeded coverage in the past three years. There have been no significant reductions in insurance coverage in the past three years.

In accordance with G.S. 159-29, the County's employees that have access to \$100 or more at any given time of the County's funds are performance bonded through a commercial surety bond. The Finance Officer and Tax Collector are each individually bonded for \$100,000 each. The remaining employees that have access to funds are bonded under a blanket bond for \$250,000.

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**NOTES TO FINANCIAL STATEMENTS**

**NOTE 11. RISK MANAGEMENT (CONTINUED)**

For the Dental and Health Insurance Internal Service Fund, a total of \$10,409,343 in claims and changes in estimates were incurred for benefits during the year ended June 30, 2017. Changes in the fund's claims liability amounts in the years ended June 30, 2017 and 2016, were as follows:

<b>DENTAL AND HEALTH INSURANCE CLAIMS PAYABLE</b>				
<b>Fiscal Year</b>	<b>Beginning of Year Claims Liability</b>	<b>Current Year Claims and Changes in Estimates</b>	<b>Claims Paid</b>	<b>End of Year Claims Liability</b>
2017	\$ 1,141,804	\$ 10,409,343	\$ 10,226,093	\$ 1,325,054
2016	426,027	9,816,670	9,100,893	1,141,804

<b>WORKERS COMPENSATION CLAIMS PAYABLE</b>				
<b>Fiscal Year</b>	<b>Beginning of Year Claims Liability</b>	<b>Current Year Claims and Changes in Estimates</b>	<b>Claims Paid</b>	<b>End of Year Claims Liability</b>
2017	\$ 488,585	\$ 240,197	\$ 127,558	\$ 601,224
2016	-	1,010,692	522,107	488,585

**Litigation:**

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of management and legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the County.

**Grant Contingencies:**

The County has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to the disallowance of certain expenditures previously reimbursed by those agencies. Based upon prior experience, management of the County believes such disallowances, if any, will not be significant.

**Construction Commitments:**

The County has active construction projects as of June 30, 2017. At year-end, the County has contractual commitments on uncompleted contracts of approximately \$5,232,924.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 12. JOINTLY GOVERNED ORGANIZATIONS

**Orange Water and Sewer Authority.** The Orange Water and Sewer Authority is a public authority created under North Carolina law, which was established for the purpose of providing water and sewer service in a defined area within the County. The Authority has a nine-member governing body with two members appointed by the Orange County Board of Commissioners, two members appointed by the Board of Aldermen of the Town of Carrboro, and five members appointed by the Mayor and Town Council of the Town of Chapel Hill. The County is not responsible for any debt of the Authority or any of its deficits. The County is not entitled to surpluses of the Authority, has no responsibility for the designation of its management, does not have any significant influence over its operations, and the Authority is not accountable to the County for fiscal matters.

**Triangle Transit Authority.** Orange County, in conjunction with other area local governments, is a member of the Research Triangle Regional Public Transportation Authority. Orange County appoints one member to the governing board. The Authority possesses final decision making ability and is solely responsible for the management, budget, and fiscal operations of the Authority.

### NOTE 13. JOINT VENTURES

**Orange-Person-Chatham Area Mental Health, Mental Retardation, and Substance Abuse Authority.** Mental health, mental retardation, and substance abuse services within the County are provided by a tri-County regional authority. Each County appoints one Commissioner to the Authority's sixteen-member Board. The remaining thirteen members are selected by the three appointed Commissioners. Since the Authority does not have the power to issue debt obligations, any such obligations would be issued by the counties involved. The County is not responsible for the Authority's deficits and is not entitled to its surpluses. It also has no responsibility for the designation of management and does not have significant influence over the operations of the Authority.

The County makes an annual appropriation to the Authority, but the majority of the funding comes from other sources. During the fiscal year ended June 30, 2017, the County contributed \$1,147,474 to the Authority. None of the participating governments have any equity interest in the Authority, so no equity interest has been reflected in the financial statements at June 30, 2017. Complete financial statements for the Authority can be obtained from the Authority's offices at 100 Europe Drive, Suite 490, Chapel Hill, North Carolina 27517.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 14. RESTATEMENTS

The County implemented Governmental Accounting Standards Board (GASB) No. Statement 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*, in the fiscal year ending June 30, 2017. The implementation of the statement required the County to record the beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the County to the Law Enforcement Officers' Special Separation Allowance during the measurement period (fiscal year ending December 31, 2016). As a result, beginning net position for the governmental activities decreased \$2,592,435.

	<u>Governmental Activities</u>
Beginning net position, previously reported	\$ (19,751,243)
Remove previously reported pension obligation	839,658
Increase for beginning total pension liability	(3,494,747)
Decrease for beginning deferred outflows of resources - LEOSA	62,654
Beginning net position, restated	<u><u>\$ (22,343,678)</u></u>

During the fiscal year ended June 30, 2017, the County determined restatements were necessary to the Solid Waste Landfill Fund and Business-type Activities to (1) record billed fee receivables which are billed annually and (2) adjust the estimated accrued closure and post-closure costs as the industrial landfill was not closed as of year-end. A receivable was not previously reported in the fund, and a restatement of \$239,252 is necessary to report the unpaid balance as of June 30, 2016. The landfill liability should be accrued at the same rate as the capacity of the landfill is consumed, therefore the prior accrual of the full estimated liability overstated the liability and expenses of the Solid Waste Landfill Fund. The effect of the restatements are as follows:

	<u>Business-type Activities</u>	<u>Solid Waste Landfill Fund</u>
Beginning net position, previously reported	\$ 10,785,090	\$ 5,146,730
Increase for reporting billed receivables	239,252	239,252
Decrease in landfill closure and post-closure estimated liability	1,178,945	1,178,945
Beginning net position, restated	<u><u>\$ 12,203,287</u></u>	<u><u>\$ 6,564,927</u></u>

## NOTES TO FINANCIAL STATEMENTS

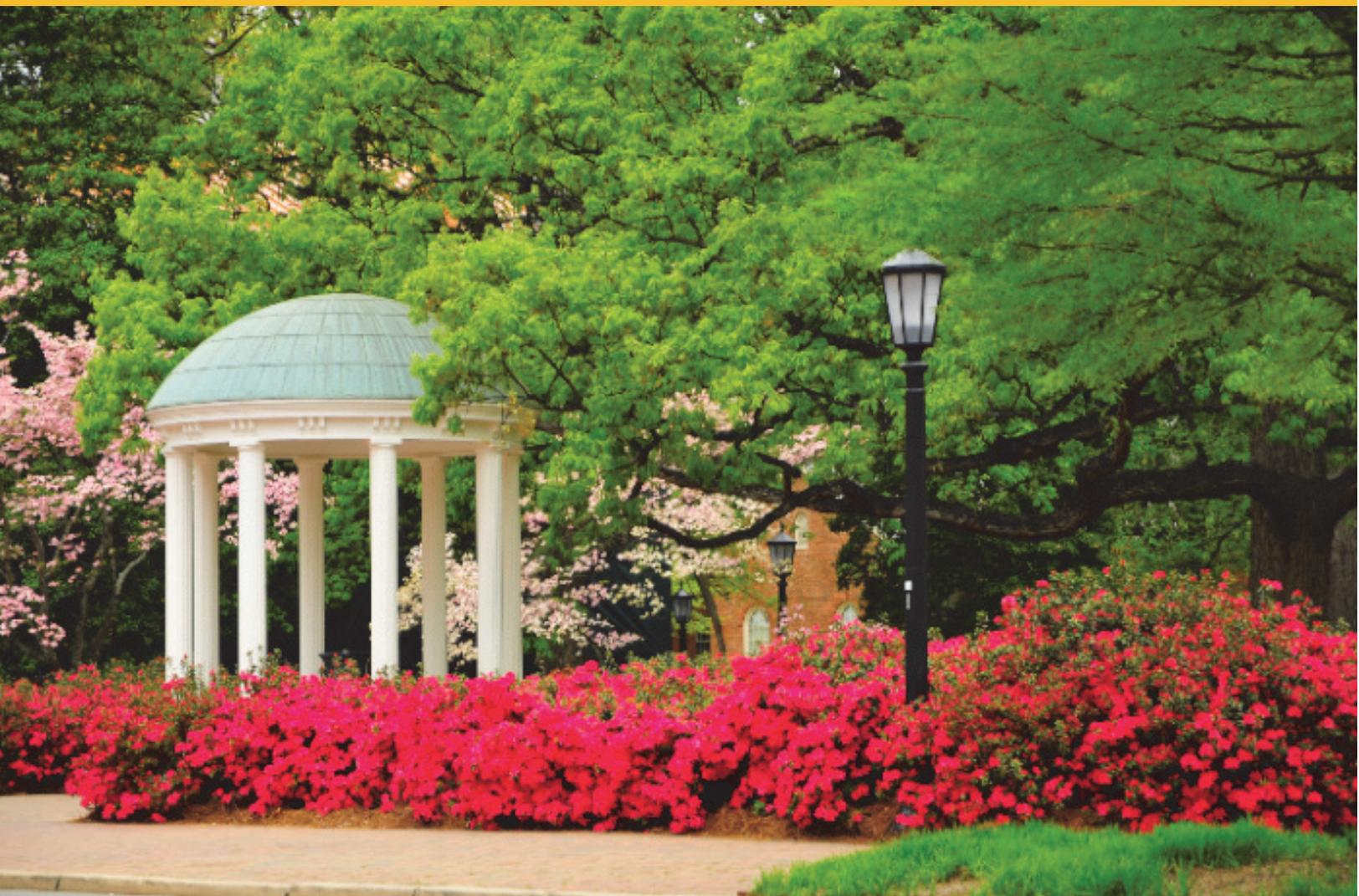
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### **NOTE 15. SUBSEQUENT EVENTS**

On November 17, 2017, the County issued General Obligation Bonds, Series 2017A, B, and C with par values of \$5,900,000, \$21,000,000, and \$2,500,000, respectively. The proceeds of Series A and Series B are to be used in funding various school construction projects, and the Series C proceeds are to fund affordable housing projects. Interest on the bonds are payable semiannually on February 1 and August 1, commencing February 1, 2018. Principal payments for Series A commences in 2019 with a final maturity coming in 2028; Series B commences in 2021 with a final maturity coming in 2038; and Series C commences in 2019 with a final maturity coming in 2021.

**REQUIRED SUPPLEMENTARY INFORMATION**

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# ORANGE COUNTY, NORTH CAROLINA

## REQUIRED SUPPLEMENTARY INFORMATION OTHER POSTEMPLOYMENT BENEFITS SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded Actuarial Accrued Liability (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	[(b-a)/c] UAAL as a Percentage of Covered Payroll
12/31/15	\$ -	\$ 83,542,665	\$ 83,542,665	0.0%	\$ 46,104,742	181.20%
12/31/13	-	65,152,273	65,152,273	0.0%	38,892,701	167.52%
12/31/12	-	65,622,232	65,622,232	0.0%	37,343,621	175.73%

The above schedule was prepared in accordance with GASB Statement No. 45.

Note: See assumptions used for the Schedule of Funding Progress in Note 10 to the financial statements.

## ORANGE COUNTY, NORTH CAROLINA

### REQUIRED SUPPLEMENTARY INFORMATION OPEB RETIREMENT PLAN SCHEDULE OF CHANGES IN THE COUNTY'S NET OPEB LIABILITY AND RELATED RATIOS

	<b>2017</b>
<b>Total OPEB liability</b>	
Service cost	\$ 4,183,697
Interest on total OPEB liability	3,039,332
Changes of assumptions and other inputs	(9,448,990)
Benefit payments	(3,300,768)
<b>Net change in total OPEB liability</b>	(5,526,729)
 <b>Total OPEB liability - beginning</b>	 102,290,513
<b>Total OPEB liability - ending (a)</b>	\$ 96,763,784
 <b>Plan fiduciary net position</b>	
Contributions - employer	\$ 3,550,768
Net investment income	9,922
Benefit payments	(3,300,768)
Administrative expenses	-
<b>Net change in plan fiduciary net position</b>	259,922
 <b>Plan fiduciary net position - beginning</b>	 -
<b>Plan fiduciary net position - ending (b)</b>	\$ 259,922
 <b>County's net OPEB liability - ending (a) - (b)</b>	\$ 96,503,862
 <b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	 0.27%
 <b>Covered-employee payroll</b>	 \$ 42,769,990
 <b>Net OPEB liability as a percentage of covered-employee payroll</b>	 225.6%

**Notes to the Schedule:**

The schedule will present 10 years of information once it is accumulated.

## ORANGE COUNTY, NORTH CAROLINA

### REQUIRED SUPPLEMENTARY INFORMATION OPEB RETIREMENT PLAN SCHEDULE OF COUNTY CONTRIBUTIONS

	<b>2017</b>	<b>2016</b>
Actuarially determined contribution	\$ 6,820,935	\$ 5,374,915
Contributions in relation to the actuarially determined contribution	3,550,768	2,361,272
Contribution deficiency (excess)	\$ 3,270,167	\$ 3,013,643
Covered employee payroll	\$42,769,990	\$42,769,990
Contributions as a percentage of covered-employee payroll	8.30%	5.52%

**Notes to the Schedule:**

(1) Actuarial Assumptions

Valuation Date	December 31, 2015
Cost Method	Projected Unit Credit
Actuarial Asset Valuation Method	Market Value of Assets
Assumed Rate of Return on Investments	4.00%, net of investment expenses, including inflation
Projected Salary Increases	3.50% to 7.75%, including 3.0% for inflation
Cost-of-living Adjustment	None
Amortization Method	Level Percentage of Payroll, Assuming 3.00% Payroll Growth
Remaining Amortization Period	27 years, closed
Health Care Cost Trends:	
Pre-Medicare	7.75% for 2016, decreasing to an ultimate rate of 5.00% by 2022
Medicare	5.75% for 2016, decreasing to an ultimate rate of 5.00% by 2019

(2) The schedule will present 10 years of information once it is accumulated.

**ORANGE COUNTY, NORTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION  
OPEB RETIREMENT PLAN  
SCHEDULE OF OPEB INVESTMENT RETURNS**

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	<b>2017</b>
Annual money-weighted rate of return, net of investment expenses for the County's OPEB Plan	4.0%

**Notes to the Schedule:**

The schedule will present 10 years of information once it is accumulated.

**ORANGE COUNTY, NORTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY  
JUNE 30, 2017**

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE**

---

	<b>2017</b>
Beginning balance of the total pension liability	\$ 3,494,747
Service Cost	135,380
Interest on the total pension liability	122,514
Changes of assumptions or other inputs	(84,160)
Benefit payments	(125,957)
Ending balance of the total pension liability	<u>\$ 3,542,524</u>

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

**ORANGE COUNTY, NORTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL  
LAST TWO FISCAL YEARS**

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE**

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	<u>2017</u>	<u>2016</u>
Total pension liability	\$ 3,542,524	\$ 3,494,747
County's covered-employee payroll	\$ 4,842,049	\$ 4,190,815
Total pension liability as a percentage of covered-employee payroll	73.16%	83.39%

Orange County has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

# ORANGE COUNTY, NORTH CAROLINA

## REQUIRED SUPPLEMENTARY INFORMATION COUNTY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET) LAST FOUR FISCAL YEARS\*

### LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM

	2017	2016	2015	2014
County's proportion of the net pension liability (asset) (%)	0.78464%	0.70825%	0.69420%	0.66320%
County's proportion of the net pension liability (asset) (\$)	\$ 16,652,689	\$ 3,178,584	\$ (4,094,256)	\$ 7,994,107
County's covered-employee payroll	\$ 45,272,812	\$ 43,233,224	\$ 41,507,819	\$ 39,732,374
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	36.78%	7.35%	( 9.86%)	20.12%
Plan fiduciary net position as a percentage of the total pension liability	91.47%	98.09%	102.64%	94.35%

\* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

# ORANGE COUNTY, NORTH CAROLINA

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CONTRIBUTIONS LAST THREE FISCAL YEARS

### LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 3,525,190	\$ 3,104,810	\$ 3,041,550
Contributions in relation to the contractually required contribution	3,525,190	3,104,810	3,041,550
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 44,203,050	\$ 45,272,812	\$ 43,233,224
Contributions as a percentage of covered-employee payroll	7.97%	6.86%	7.04%

# ORANGE COUNTY, NORTH CAROLINA

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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**Method and assumptions used in calculations of actuarially determined contributions:** The actuarially determined contribution rates in the schedule of contributions are calculated as of December 31, one year prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the contractually required contributions for year ended June 30, 2017 reported in that schedule:

Valuation date	December 31, 2015
Actuarial cost method	Frozen Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	12 years
Asset valuation method	Asset returns in excess of or less than the expected return on market value of assets reflected over a five-year period (not greater than 120% of market value and not less than 80% of market value)
Inflation rate	3.00%
Salary increases	3.50 – 7.75%, including inflation
Investment rate of return	7.25%, net of pension plan investment expense, including inflation

# ORANGE COUNTY, NORTH CAROLINA

## REQUIRED SUPPLEMENTARY INFORMATION COUNTY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET) LAST FOUR FISCAL YEARS\*

### REGISTER OF DEEDS' SUPPLEMENTAL PENSION FUND

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension asset (%)	1.15307%	1.09301%	1.05600%	1.11000%
County's proportion of the net pension liability (asset) (\$)	\$ (215,578)	\$ (253,294)	\$ (239,437)	\$ (236,989)
County's covered-employee payroll	\$ 88,376	\$ 83,374	\$ 78,416	\$ 76,112
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-243.93%	-303.80%	-305.34%	-311.37%
Plan fiduciary net position as a percentage of the total pension liability	160.17%	197.29%	193.88%	194.35%

\* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

# ORANGE COUNTY, NORTH CAROLINA

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CONTRIBUTIONS LAST THREE FISCAL YEARS

### REGISTER OF DEEDS' SUPPLEMENTAL PENSION FUND

	2017	2016	2015
Contractually required contribution	\$ 6,103	\$ 4,573	\$ 8,746
Contributions in relation to the contractually required contribution	6,103	4,573	8,746
Contribution deficiency (excess)	\$ -	\$ -	\$ -
County's covered-employee payroll	\$ 83,374	\$ 78,416	\$ 76,112
Contributions as a percentage of covered-employee payroll	7.32%	5.83%	11.49%

# ORANGE COUNTY, NORTH CAROLINA

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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**Method and assumptions used in calculations of actuarially determined contributions:** The actuarially determined contribution rates in the schedule of contributions are calculated as of December 31, one year prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the contractually required contributions for year ended June 30, 2017 reported in that schedule:

Valuation date	December 31, 2015
Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Remaining amortization period	30
Asset valuation method	Asset returns in excess of or less than the expected return on market value of assets reflected over a five-year period (not greater than 120% of market value and not less than 80% of market value)
Inflation rate	3.00%
Salary increases	3.50 – 7.75%, including inflation
Investment rate of return	3.75%, net of pension plan investment expense, including inflation

## NONMAJOR GOVERNMENTAL FUNDS

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### Special Revenue Funds

**Local Fire Districts Fund** -accounts for the collection of special fire district taxes that are returned quarterly to the fire districts on a budgeted basis.

**Grant Supported Fund** -accounts for grants awarded for various County departments on the County's fiscal year basis.

**Grant Projects Fund** -accounts for grants awarded for various County departments on a federal fiscal year basis.

**Sheriff Forfeitures Fund** – accounts for Federal and State seizure revenues and the expenditures of those restricted revenues.

**Community Development Fund** -accounts for federal funds used for residential rehabilitation, street improvements, water and sewer, recreational facilities, relocation assistance in low income neighborhoods and affordable housing initiatives. This multi-year project is accounted for on a federal fiscal year basis.

**Section 8 Housing Fund** -accounts for HUD-funded programs, Section 8 Vouchers Program.

**Article 46 Sales Tax Fund** – accounts for the revenues received from the Article 46 ¼ cents sales tax and the related project expenditures for the fund.

**Emergency Telephone System Fund** -accounts for revenues from E-911 subscriber fees and wireless 911 fees and expenditures associated with the purchase and maintenance of emergency communications equipment for the enhanced 911 computer aided dispatch system.

**Visitors' Bureau Fund** -accounts for proceeds of a 2% County-wide hotel/motel occupancy tax which is used by the Visitors' Bureau to maximize the economic benefit derived from visitors to the County.

**Spay/Neuter Fund** -accounts for donations and fees received by private individuals to promote pet sterilization throughout the county.

**Adoption Enhancement Fund** -accounts for monies collected by Social Services from parents for the fees related to the adoption of a child.

**Impact Fee Fund** -accounts for fees assessed on new residential development within the County. These fees are to be used for the construction of public school facilities throughout the County.

**Recreation Subdivision Fund** -accounts for payments received from local developers to assist in construction of recreation projects in and around County subdivisions.

## NONMAJOR GOVERNMENTAL FUNDS

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### Special Revenue Funds (Continued)

**Heusner Fund** -accounts for donations made by private individuals for use in foster care programs administered by the Department of Social Services.

**Library Development Fund** -accounts for donations made by private individuals for use in the County library.

### Capital Project Funds

**School Capital Reserve Fund** – accounts for restricted capital reserves and the interest earned on the assets.

**County Capital Reserve Fund** – accounts for restricted capital reserves and the interest earned on the assets.

**ORANGE COUNTY, NORTH CAROLINA**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2017**

ASSETS	Special Revenue Funds				
	Local Fire Districts	Grant Supported	Grant Projects	Sheriff Forfeitures	Community Development
Cash and cash equivalents	\$ 1,113,194	\$ 110,982	\$ 756,096	\$ 289,196	\$ 749,711
Accounts receivable	-	-	154,045	-	1,074,969
Taxes receivable	203,525	-	-	-	-
<b>Total assets</b>	<b>\$ 1,316,719</b>	<b>\$ 110,982</b>	<b>\$ 910,141</b>	<b>\$ 289,196</b>	<b>\$ 1,824,680</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	\$ 13	\$ 3,485	\$ 34,805	\$ 22,941	\$ 26,627
Payroll withholdings	-	4,298	13,963	-	13,962
<b>Total liabilities</b>	<b>13</b>	<b>7,783</b>	<b>48,768</b>	<b>22,941</b>	<b>40,589</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenues - ad valorem	161,994	-	-	-	-
<b>Total deferred inflows of resources</b>	<b>161,994</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES</b>					
Restricted:					
Stabilization by State Statute	41,531	-	-	-	-
Public safety	1,113,181	-	-	266,255	-
Human services	-	103,199	861,373	-	1,784,091
Community services	-	-	-	-	-
Capital projects	-	-	-	-	-
Committed:					
Human services	-	-	-	-	-
Assigned:					
Capital projects	-	-	-	-	-
Human services	-	-	-	-	-
Community services	-	-	-	-	-
<b>Total fund balances</b>	<b>1,154,712</b>	<b>103,199</b>	<b>861,373</b>	<b>266,255</b>	<b>1,784,091</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 1,316,719</b>	<b>\$ 110,982</b>	<b>\$ 910,141</b>	<b>\$ 289,196</b>	<b>\$ 1,824,680</b>

Special Revenue Funds						
Section 8 Housing	Article 46 Sales Tax	Emergency Telephone System	Visitors Bureau	Spay/Neuter	Adoption Enhancement	Impact Fees
\$ 166,611	\$ 2,269,682	\$ 639,972	\$ 545,546	\$ 66,779	\$ 81,079	\$ 5,841,949
-	1,018,068	44,551	139,490	-	-	280,754
-	-	-	-	-	-	-
<u>\$ 166,611</u>	<u>\$ 3,287,750</u>	<u>\$ 684,523</u>	<u>\$ 685,036</u>	<u>\$ 66,779</u>	<u>\$ 81,079</u>	<u>\$ 6,122,703</u>
\$ 6,501	\$ 20,000	\$ 1,702	\$ 7,407	\$ 4,008	\$ -	\$ 1,093,346
18,513	-	-	21,805	-	-	-
25,014	20,000	1,702	29,212	4,008	-	1,093,346
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	1,018,068	44,551	139,490	-	-	280,754
-	-	638,270	-	-	-	-
-	-	-	-	-	-	-
-	2,249,682	-	516,334	-	-	-
-	-	-	-	-	-	4,748,603
-	-	-	-	-	81,079	-
-	-	-	-	-	-	-
141,597	-	-	-	-	-	-
-	-	-	-	62,771	-	-
<u>141,597</u>	<u>3,267,750</u>	<u>682,821</u>	<u>655,824</u>	<u>62,771</u>	<u>81,079</u>	<u>5,029,357</u>
\$ 166,611	\$ 3,287,750	\$ 684,523	\$ 685,036	\$ 66,779	\$ 81,079	\$ 6,122,703

**ORANGE COUNTY, NORTH CAROLINA**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2017**

ASSETS	Special Revenue Funds			Capital Project Funds		Total Nonmajor Governmental Funds
	Recreation Subdivision	Heusner	Library Development	School Capital Reserve	County Capital Reserve	
Cash and cash equivalents	\$ 531,307	\$ 9,220	\$ 112,650	\$ 114,189	\$ 32,724	\$ 13,430,887
Accounts receivable	-	-	-	-	-	2,711,877
Taxes receivable	-	-	-	-	-	203,525
<b>Total assets</b>	<b>\$ 531,307</b>	<b>\$ 9,220</b>	<b>\$ 112,650</b>	<b>\$ 114,189</b>	<b>\$ 32,724</b>	<b>\$ 16,346,289</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,220,835
Payroll withholdings	-	-	-	-	-	72,541
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,293,376</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenues - ad valorem	-	-	-	-	-	161,994
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>161,994</b>
<b>FUND BALANCES</b>						
Restricted:						
Stabilization by State Statute	-	-	-	-	-	1,524,394
Public safety	-	-	-	-	-	2,017,706
Human services	-	-	-	-	-	2,748,663
Community services	531,307	9,220	112,650	-	-	3,419,193
Capital projects	-	-	-	-	-	4,748,603
Committed:						
Human services	-	-	-	-	-	81,079
Assigned:						
Capital projects	-	-	-	114,189	32,724	146,913
Human services	-	-	-	-	-	141,597
Community services	-	-	-	-	-	62,771
<b>Total fund balances</b>	<b>531,307</b>	<b>9,220</b>	<b>112,650</b>	<b>114,189</b>	<b>32,724</b>	<b>14,890,919</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 531,307</b>	<b>\$ 9,220</b>	<b>\$ 112,650</b>	<b>\$ 114,189</b>	<b>\$ 32,724</b>	<b>\$ 16,346,289</b>

**ORANGE COUNTY, NORTH CAROLINA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017**

	Special Revenue Funds				
	Local Fire Districts	Grant Supported	Grant Projects	Sheriff Forfeitures	Community Development
<b>REVENUES</b>					
Property taxes	\$ 5,567,441	\$ -	\$ -	\$ -	\$ -
Sales tax	-	-	-	-	-
Other taxes	-	-	-	-	-
Intergovernmental revenues	-	57,274	549,721	183,447	447,849
Charges for services	-	56,643	-	-	-
License and permits	-	-	-	-	-
Investment earnings	7,002	-	-	74	-
Miscellaneous	-	-	-	-	-
<b>Total revenues</b>	<b>5,574,443</b>	<b>113,917</b>	<b>549,721</b>	<b>183,521</b>	<b>447,849</b>
<b>EXPENDITURES</b>					
General government	-	-	-	-	-
Community services	-	-	-	-	-
Public safety	5,485,405	-	29,537	23,635	-
Education	-	-	-	-	-
Human services	-	158,408	434,250	-	802,951
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
<b>Total expenditures</b>	<b>5,485,405</b>	<b>158,408</b>	<b>463,787</b>	<b>23,635</b>	<b>802,951</b>
Excess (deficiency) of revenues over expenditures	89,038	(44,491)	85,934	159,886	(355,102)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	42,716	25,000	-	460,912
Transfers out	-	-	-	-	-
Proceeds from sale of capital assets	-	-	-	13,049	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>42,716</b>	<b>25,000</b>	<b>13,049</b>	<b>460,912</b>
Net change in fund balances	89,038	(1,775)	110,934	172,935	105,810
<b>FUND BALANCES, beginning of year</b>	<b>1,065,674</b>	<b>104,974</b>	<b>750,439</b>	<b>93,320</b>	<b>1,678,281</b>
<b>FUND BALANCES, end of year</b>	<b>\$ 1,154,712</b>	<b>\$ 103,199</b>	<b>\$ 861,373</b>	<b>\$ 266,255</b>	<b>\$ 1,784,091</b>

**Special Revenue Funds**

<b>Section 8 Housing</b>	<b>Article 46 Sales Tax</b>	<b>Emergency Telephone System</b>	<b>Visitors Bureau</b>	<b>Spay/Neuter</b>	<b>Adoption Enhancement</b>	<b>Impact Fees</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	3,535,130	-	-	-	-	-
-	-	-	1,492,194	26,430	-	-
4,399,286	-	-	57,166	-	50,400	-
-	-	534,612	-	-	-	-
-	-	-	-	-	-	2,114,028
773	13,105	3,317	3,489	357	288	40,496
-	153,120	-	308,903	24,835	19,333	-
<u>4,400,059</u>	<u>3,701,355</u>	<u>537,929</u>	<u>1,861,752</u>	<u>51,622</u>	<u>70,021</u>	<u>2,154,524</u>
-	-	-	147,788	-	-	-
-	918,451	-	1,836,922	43,545	-	-
-	-	454,597	-	-	-	-
-	1,754,364	-	-	-	-	-
4,535,228	-	-	-	-	24,064	-
-	523,228	-	-	-	-	-
-	143,943	-	-	-	-	-
<u>4,535,228</u>	<u>3,339,986</u>	<u>454,597</u>	<u>1,984,710</u>	<u>43,545</u>	<u>24,064</u>	<u>-</u>
(135,169)	361,369	83,332	(122,958)	8,077	45,957	2,154,524
48,703	-	20,000	-	-	-	-
-	-	(78,153)	-	(12,600)	-	(2,940,000)
-	-	-	-	-	-	-
<u>48,703</u>	<u>-</u>	<u>(58,153)</u>	<u>-</u>	<u>(12,600)</u>	<u>-</u>	<u>(2,940,000)</u>
(86,466)	361,369	25,179	(122,958)	(4,523)	45,957	(785,476)
<u>228,063</u>	<u>2,906,381</u>	<u>657,642</u>	<u>778,782</u>	<u>67,294</u>	<u>35,122</u>	<u>5,814,833</u>
\$ 141,597	\$ 3,267,750	\$ 682,821	\$ 655,824	\$ 62,771	\$ 81,079	\$ 5,029,357

**ORANGE COUNTY, NORTH CAROLINA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017**

	Special Revenue Funds			Capital Project Funds		Total Nonmajor Governmental Funds
	Recreation Subdivision	Heusner	Library Development	School Capital Reserve	County Capital Reserve	
<b>REVENUES</b>						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,567,441
Sales tax	-	-	-	-	-	3,535,130
Other taxes	-	-	-	-	-	1,518,624
Intergovernmental revenues	-	-	-	-	-	5,745,143
Charges for services	-	-	-	-	-	591,255
License and permits	-	-	-	-	-	2,114,028
Investment earnings	2,749	-	11	597	172	72,430
Miscellaneous	15,257	47	-	-	-	521,495
<b>Total revenues</b>	<b>18,006</b>	<b>47</b>	<b>11</b>	<b>597</b>	<b>172</b>	<b>19,665,546</b>
<b>EXPENDITURES</b>						
General government	-	-	-	-	-	147,788
Community services	-	-	15,024	-	-	2,813,942
Public safety	-	-	-	-	-	5,993,174
Education	-	-	-	-	-	1,754,364
Human services	-	-	-	-	-	5,954,901
Debt service:						
Principal	-	-	-	-	-	523,228
Interest	-	-	-	-	-	143,943
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>15,024</b>	<b>-</b>	<b>-</b>	<b>17,331,340</b>
Excess (deficiency) of revenues over expenditures	18,006	47	(15,013)	597	172	2,334,206
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	-	-	-	597,331
Transfers out	-	-	-	-	-	(3,030,753)
Proceeds from sale of capital assets	-	-	-	-	-	13,049
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,420,373)</b>
Net change in fund balances	18,006	47	(15,013)	597	172	(86,167)
<b>FUND BALANCES, beginning of year</b>	<b>513,301</b>	<b>9,173</b>	<b>127,663</b>	<b>113,592</b>	<b>32,552</b>	<b>14,977,086</b>
<b>FUND BALANCES, end of year</b>	<b>\$ 531,307</b>	<b>\$ 9,220</b>	<b>\$ 112,650</b>	<b>\$ 114,189</b>	<b>\$ 32,724</b>	<b>\$ 14,890,919</b>

# ORANGE COUNTY, NORTH CAROLINA

## GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS) FOR THE YEAR ENDED JUNE 30, 2017

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>Revenues</b>				
<b>Ad valorem taxes:</b>				
Property taxes	\$ 148,421,427	\$ 148,421,427	\$ 149,438,360	\$ 1,016,933
Tax penalties and interest	550,000	550,000	542,049	(7,951)
Gross receipts tax	64,634	64,634	82,783	18,149
Total ad valorem taxes	<u>149,036,061</u>	<u>149,036,061</u>	<u>150,063,192</u>	<u>1,027,131</u>
<b>Sales tax:</b>				
Local option sales tax	<u>22,066,641</u>	<u>22,066,641</u>	<u>24,409,044</u>	<u>2,342,403</u>
<b>Intergovernmental revenues:</b>				
Animal tax	195,000	195,000	180,865	(14,135)
Beer and wine tax	267,750	267,750	247,134	(20,616)
Federal and State grants	13,996,123	20,373,631	18,670,411	(1,703,220)
Local grants	632,119	634,619	503,144	(131,475)
ABC Board law enforcement distribution	192,627	192,627	206,020	13,393
ABC Board profit distribution	-	-	170	170
Total intergovernmental revenues	<u>15,283,619</u>	<u>21,663,627</u>	<u>19,807,744</u>	<u>(1,855,883)</u>
<b>Charges for services:</b>				
Register of Deeds	1,552,000	1,552,000	1,910,935	358,935
Inspection fees	1,077,967	1,212,380	1,624,746	412,366
Health service fees	1,812,313	1,859,229	1,772,206	(87,023)
Aging fees	195,200	205,200	155,849	(49,351)
EMS fees	2,642,215	2,642,215	2,943,606	301,391
Sheriff and court charges	2,785,000	2,785,000	2,120,930	(664,070)
Other charges	<u>835,603</u>	<u>850,948</u>	<u>895,670</u>	<u>44,722</u>
Total charges for services	<u>10,900,298</u>	<u>11,106,972</u>	<u>11,423,942</u>	<u>316,970</u>
<b>Investment earnings</b>	<u>155,000</u>	<u>155,002</u>	<u>437,172</u>	<u>282,170</u>
<b>Licenses, permits and fees:</b>				
Privilege licenses	13,000	13,000	13,854	854
Franchise fees	<u>315,000</u>	<u>315,000</u>	<u>300,600</u>	<u>(14,400)</u>
Total licenses, permits and fees	<u>328,000</u>	<u>328,000</u>	<u>314,454</u>	<u>(13,546)</u>
<b>Miscellaneous revenues:</b>				
Donations	266,000	390,849	309,826	(81,023)
Rent	329,687	329,687	298,020	(31,667)
Other	<u>1,092,425</u>	<u>1,208,441</u>	<u>1,261,081</u>	<u>52,640</u>
Total miscellaneous revenues	<u>1,688,112</u>	<u>1,928,977</u>	<u>1,868,927</u>	<u>(60,050)</u>
<b>Total revenues</b>	<u>199,457,731</u>	<u>206,285,280</u>	<u>208,324,475</u>	<u>2,039,195</u>

*continued*

**ORANGE COUNTY, NORTH CAROLINA**

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)  
FOR THE YEAR ENDED JUNE 30, 2017**

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>Expenditures</b>				
<b>Current:</b>				
<b>Community Services:</b>				
Animal services	1,998,579	2,084,650	2,047,931	36,719
Cooperative extension	394,843	398,343	376,319	22,024
Department of environment, agriculture, parks & recreation	3,760,893	3,958,685	3,690,969	267,716
Economic development	529,029	553,413	529,762	23,651
Orange public transportation	1,405,738	1,372,131	1,152,232	219,899
Planning and inspections	2,889,005	3,074,035	2,909,185	164,850
Recreation municipal	125,108	125,108	125,108	-
Non-departmental	2,483,505	2,633,140	540,612	2,092,528
<b>Total</b>	<b>13,586,700</b>	<b>14,199,505</b>	<b>11,372,118</b>	<b>2,827,387</b>
<b>General Government:</b>				
Board of county commissioners	882,158	925,370	863,008	62,362
Board of elections	692,777	701,389	695,179	6,210
County attorney's office	575,714	596,370	601,434	(5,064)
County manager's office	766,056	797,050	716,433	80,617
Register of deeds	932,603	981,622	1,001,278	(19,656)
Tax administration	3,599,799	3,758,609	3,524,881	233,728
Non-departmental	370,900	393,770	659,933	(266,163)
<b>Total</b>	<b>7,820,007</b>	<b>8,154,180</b>	<b>8,062,146</b>	<b>92,034</b>
<b>Public Safety:</b>				
Courts	81,455	81,455	16,913	64,542
Emergency services	10,499,901	10,614,673	9,639,289	975,384
Sheriff	13,604,538	14,076,025	13,037,168	1,038,857
Non-departmental	411,052	424,298	407,269	17,029
<b>Total</b>	<b>24,596,946</b>	<b>25,196,451</b>	<b>23,100,639</b>	<b>2,095,812</b>
<b>Human Services:</b>				
Child support services	990,868	1,003,033	966,166	36,867
Department of social services	18,681,564	23,954,883	21,011,247	2,943,636
Department of aging	2,063,475	2,426,240	2,096,413	329,827
Health department	9,002,142	9,364,624	8,978,382	386,242
Housing, human rights, and community development	519,341	474,458	353,784	120,674
Library services	2,146,214	2,304,125	2,268,054	36,071
Library municipal	568,839	568,839	568,839	-
OPC area program	1,328,474	1,147,474	1,147,474	-
Non-departmental	1,492,131	1,492,131	1,081,964	410,167
<b>Total</b>	<b>36,793,048</b>	<b>42,735,807</b>	<b>38,472,323</b>	<b>4,263,484</b>

*continued*

**ORANGE COUNTY, NORTH CAROLINA**

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)  
FOR THE YEAR ENDED JUNE 30, 2017**

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>Education:</b>				
Current expenditures	77,201,412	77,201,412	77,201,412	-
Fair funding	3,354,000	3,354,000	3,390,336	(36,336)
Durham Tech (Orange campus)	703,928	703,928	703,928	-
Recurring capital	3,000,000	3,000,000	3,000,000	-
Total	84,259,340	84,259,340	84,295,676	(36,336)
<b>Support Services:</b>				
Asset management services	4,347,271	4,699,316	4,431,868	267,448
Community relations	211,430	216,457	151,979	64,478
Finance and administrative services	3,434,045	3,560,131	2,809,192	750,939
Human resources	937,651	944,101	917,233	26,868
Information technologies	3,209,342	3,278,735	3,129,561	149,174
Non-departmental	4,046,095	2,597,380	2,489,806	107,574
Total	16,185,834	15,296,120	13,929,639	1,366,481
<b>Debt Service:</b>				
Principal	19,840,194	19,840,194	19,307,488	532,706
Interest	6,371,002	6,371,002	6,530,451	(159,449)
Total	26,211,196	26,211,196	25,837,939	373,257
Total expenditures	209,453,071	216,052,599	205,070,480	10,982,119
Excess (deficiency) of revenues over expenditures	(9,995,340)	(9,767,319)	3,253,995	13,021,314
<b>Other financing sources (uses)</b>				
Proceeds from sale of capital assets	25,000	46,000	81,967	35,967
Transfers in	2,712,600	2,712,600	3,012,600	300,000
Transfers out	(5,469,204)	(6,899,245)	(8,183,964)	(1,284,719)
Total other financing sources (uses)	(2,731,604)	(4,140,645)	(5,089,397)	(948,752)
Revenues and other financing sources over expenditures and other financing uses	(12,726,944)	(13,907,964)	(1,835,402)	12,072,562
Appropriated fund balance	12,726,944	13,907,964	-	(13,907,964)
Net change in fund balances	-	-	(1,835,402)	(1,835,402)
<b>Fund balance, beginning of year</b>	64,466,187	64,466,187	64,466,187	-
<b>Fund balance, end of year</b>	\$ 51,739,243	\$ 50,558,223		\$ (1,835,402)
<b>Reconciliation to GAAP statements:</b>				
Change in fund balance in Community Loan Fund			96,181	
			\$ 62,726,966	

**ORANGE COUNTY, NORTH CAROLINA  
LOCAL FIRE DISTRICTS**

**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Budget</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes	\$ 5,312,736	\$ 5,312,736	\$ 5,567,441	\$ 254,705
Investment earnings	669	669	7,002	6,333
 Total revenues	 <u>5,313,405</u>	 <u>5,313,405</u>	 <u>5,574,443</u>	 <u>261,038</u>
<b>EXPENDITURES</b>				
Public safety	<u>5,328,405</u>	<u>5,485,405</u>	<u>5,485,405</u>	<u>-</u>
 Excess (deficiency) of revenues over expenditures	 (15,000)	 (172,000)	 89,038	 261,038
 Appropriated fund balance	 <u>15,000</u>	 <u>172,000</u>	 <u>-</u>	 <u>(172,000)</u>
 Net change in fund balances	 -	 -	 89,038	 89,038
 <b>FUND BALANCE, beginning of year</b>	 <u>1,065,674</u>	 <u>1,065,674</u>	 <u>1,065,674</u>	 <u>-</u>
 <b>FUND BALANCE, end of year</b>	 <u>\$ 1,050,674</u>	 <u>\$ 893,674</u>	 <u>\$ 1,154,712</u>	 <u>\$ 89,038</u>

**ORANGE COUNTY, NORTH CAROLINA  
GRANT SUPPORTED**

**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)  
FOR THE YEAR ENDED JUNE 30, 2017**

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Restricted intergovernmental	\$ 40,000	\$ 56,750	\$ 57,274	\$ 524
Charges for services	50,000	55,000	56,643	1,643
Total revenues	90,000	111,750	113,917	2,167
<b>EXPENDITURES</b>				
Human services	132,716	157,557	158,408	(851)
Total expenditures	132,716	157,557	158,408	(851)
Excess (deficiency) of revenues over expenditures	(42,716)	(45,807)	(44,491)	1,316
<b>OTHER FINANCING SOURCES</b>				
Appropriated fund balance	-	3,091	-	(3,091)
Transfers in	42,716	42,716	42,716	-
Total other financing sources	42,716	45,807	42,716	(3,091)
Net change in fund balances	-	-	(1,775)	(1,775)
<b>FUND BALANCE, beginning of year</b>	104,974	104,974	104,974	-
<b>FUND BALANCE, end of year</b>	\$ 104,974	\$ 104,974	\$ 103,199	\$ (1,775)

**ORANGE COUNTY, NORTH CAROLINA  
GRANT PROJECTS**

**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)  
PROJECT LIFE AS OF JUNE 30, 2017**

	Project	Actual		
	Authorization	Prior Years	Current Year	Total
<b>REVENUES</b>				
Intergovernmental revenues	\$ 15,439,263	\$ 10,855,112	\$ 549,721	\$ 11,404,833
Charges for services	70,712	-	-	-
Miscellaneous	52,550	-	-	-
Total revenues	<u>15,562,525</u>	<u>10,855,112</u>	<u>549,721</u>	<u>11,404,833</u>
<b>EXPENDITURES</b>				
Support services	96,000	-	-	-
Community services	1,566,549	805,430	-	805,430
Public safety	7,010,903	4,848,122	29,537	4,877,659
Human services	8,166,699	5,636,651	434,250	6,070,901
Total expenditures	<u>16,840,151</u>	<u>11,290,203</u>	<u>463,787</u>	<u>11,753,990</u>
Excess (deficiency) of revenues over expenditures	(1,277,626)	(435,091)	85,934	(349,157)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,403,121	1,210,447	25,000	1,235,447
Transfers out	(125,495)	(24,917)	-	(24,917)
Total other financing sources (uses)	<u>1,277,626</u>	<u>1,185,530</u>	<u>25,000</u>	<u>1,210,530</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 750,439</u>	110,934	<u>\$ 861,373</u>
<b>FUND BALANCE, beginning of year</b>			<u>750,439</u>	
<b>FUND BALANCE, end of year</b>			<u>\$ 861,373</u>	

**ORANGE COUNTY, NORTH CAROLINA  
COMMUNITY DEVELOPMENT**

**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)  
PROJECT LIFE AS OF JUNE 30, 2017**

	Project	Actual		
	Authorization	Prior Years	Current Year	Total
<b>REVENUES</b>				
Intergovernmental revenues	\$ 17,483,741	\$ 14,962,184	\$ 447,849	\$ 15,410,033
Charges for services	-	1,329,285	-	1,329,285
Investment earnings	1,000	8,409	-	8,409
Miscellaneous	20,080	666,805	-	666,805
Total revenues	<u>17,504,821</u>	<u>16,966,683</u>	<u>447,849</u>	<u>17,414,532</u>
<b>EXPENDITURES</b>				
Human services	22,195,312	19,646,373	802,951	20,449,324
Total expenditures	<u>22,195,312</u>	<u>19,646,373</u>	<u>802,951</u>	<u>20,449,324</u>
Deficiency of revenues over expenditures	(4,690,491)	(2,679,690)	(355,102)	(3,034,792)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	6,782,607	5,145,062	460,912	5,605,974
Transfers out	(2,092,116)	(787,091)	-	(787,091)
Appropriated fund balance	-	-	-	-
Total other financing sources (uses)	<u>4,690,491</u>	<u>4,357,971</u>	<u>460,912</u>	<u>4,818,883</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,678,281</u>	105,810	<u>\$ 1,784,091</u>
<b>FUND BALANCE, beginning of year</b>			<u>1,678,281</u>	
<b>FUND BALANCE, end of year</b>			<u>\$ 1,784,091</u>	

**ORANGE COUNTY, NORTH CAROLINA  
SECTION 8 HOUSING**

**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)  
FOR THE YEAR ENDED JUNE 30, 2017**

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental revenues	\$ 4,335,955	\$ 4,335,955	\$ 4,399,286	\$ 63,331
Investment earnings	75	75	773	698
<b>Total revenues</b>	<b>4,336,030</b>	<b>4,336,030</b>	<b>4,400,059</b>	<b>64,029</b>
<b>EXPENDITURES</b>				
Human services	4,338,870	4,395,733	4,535,228	(139,495)
<b>Total expenditures</b>	<b>4,338,870</b>	<b>4,395,733</b>	<b>4,535,228</b>	<b>(139,495)</b>
Deficiency of revenues over expenditures	(2,840)	(59,703)	(135,169)	(75,466)
<b>OTHER FINANCING SOURCES</b>				
Transfers in	2,840	48,703	48,703	-
Appropriated fund balance	-	11,000	-	(11,000)
<b>Total other financing sources</b>	<b>2,840</b>	<b>59,703</b>	<b>48,703</b>	<b>(11,000)</b>
Net change in fund balances	-	-	(86,466)	(86,466)
<b>FUND BALANCE, beginning of year</b>	<b>228,063</b>	<b>228,063</b>	<b>228,063</b>	<b>-</b>
<b>FUND BALANCE, end of year</b>	<b>\$ 228,063</b>	<b>\$ 228,063</b>	<b>\$ 141,597</b>	<b>\$ (86,466)</b>

**ORANGE COUNTY, NORTH CAROLINA  
ARTICLE 46 SALES TAX**

**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)  
FOR THE YEAR ENDED JUNE 30, 2017**

	Project	Actual		
	Authorization	Prior Years	Current Year	Total
<b>REVENUES</b>				
Sales tax	\$ 15,124,894	\$ 12,686,015	\$ 3,535,130	\$ 16,221,145
Investment earnings	-	6,334	13,105	19,439
Miscellaneous	-	166,000	153,120	319,120
<b>Total revenues</b>	<b>15,124,894</b>	<b>12,858,349</b>	<b>3,701,355</b>	<b>16,559,704</b>
<b>EXPENDITURES</b>				
Education	7,562,447	5,442,510	1,754,364	7,196,874
Community services	4,281,693	2,583,925	918,451	3,502,376
Debt service:				
Principal	3,280,754	1,760,978	523,228	2,284,206
Interest	-	164,555	143,943	308,498
<b>Total expenditures</b>	<b>15,124,894</b>	<b>9,951,968</b>	<b>3,339,986</b>	<b>13,291,954</b>
Net change in fund balances	\$ -	\$ 2,906,381	361,369	\$ 3,267,750
<b>FUND BALANCE, beginning of year</b>			<b>2,906,381</b>	
<b>FUND BALANCE, end of year</b>			<b>\$ 3,267,750</b>	

**ORANGE COUNTY, NORTH CAROLINA  
EMERGENCY TELEPHONE SYSTEM**

**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Budget</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Charges for services	\$ 509,732	\$ 509,732	\$ 534,612	\$ 24,880
Investment earnings	-	-	3,317	3,317
Total revenues	<u>509,732</u>	<u>509,732</u>	<u>537,929</u>	<u>28,197</u>
<b>EXPENDITURES</b>				
Public safety	<u>709,477</u>	<u>733,432</u>	<u>454,597</u>	<u>278,835</u>
Total expenditures	<u>709,477</u>	<u>733,432</u>	<u>454,597</u>	<u>278,835</u>
Excess (deficiency) of revenues over expenditures	(199,745)	(223,700)	83,332	307,032
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	20,000	20,000	-
Transfers out	-	(78,153)	(78,153)	-
Appropriated fund balance	<u>199,745</u>	<u>281,853</u>	<u>-</u>	<u>(281,853)</u>
Total other financing sources (uses)	199,745	223,700	(58,153)	(281,853)
Net change in fund balances	-	-	25,179	25,179
<b>FUND BALANCE, beginning of year</b>	<u>657,642</u>	<u>657,642</u>	<u>657,642</u>	<u>-</u>
<b>FUND BALANCE, end of year</b>	<u>\$ 457,897</u>	<u>\$ 375,789</u>	<u>\$ 682,821</u>	<u>\$ 25,179</u>

**ORANGE COUNTY, NORTH CAROLINA  
VISITORS BUREAU**

**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)  
FOR THE YEAR ENDED JUNE 30, 2017**

	<b>Budget</b>		<b>Actual</b>	<b>Variance With Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Occupancy taxes	\$ 1,212,706	\$ 1,212,706	\$ 1,492,194	\$ 279,488
Intergovernmental revenues	33,090	57,230	57,166	(64)
Investment earnings	100	100	3,489	3,389
Miscellaneous	200,000	308,903	308,903	-
<b>Total revenues</b>	<b>1,445,896</b>	<b>1,578,939</b>	<b>1,861,752</b>	<b>282,813</b>
<b>EXPENDITURES</b>				
General government	149,529	156,169	147,788	8,381
Community services	1,447,644	1,856,647	1,836,922	19,725
<b>Total expenditures</b>	<b>1,597,173</b>	<b>2,012,816</b>	<b>1,984,710</b>	<b>28,106</b>
Deficiency of revenues over expenditures	(151,277)	(433,877)	(122,958)	310,919
<b>OTHER FINANCING SOURCES</b>				
Appropriated fund balance	151,277	433,877	-	(433,877)
<b>Total other financing sources</b>	<b>151,277</b>	<b>433,877</b>	<b>-</b>	<b>(433,877)</b>
Net change in fund balances	-	-	(122,958)	(122,958)
<b>FUND BALANCE, beginning of year</b>	<b>778,782</b>	<b>778,782</b>	<b>778,782</b>	<b>-</b>
<b>FUND BALANCE, end of year</b>	<b>\$ 627,505</b>	<b>\$ 344,905</b>	<b>\$ 655,824</b>	<b>\$ 310,919</b>

**ORANGE COUNTY, NORTH CAROLINA  
SPAY/NEUTER**

**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Budget</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Other tax	\$ 29,000	\$ 29,000	\$ 26,430	\$ (2,570)
Investment earnings	-	-	357	357
Miscellaneous	11,000	13,720	24,835	11,115
<b>Total revenues</b>	<u>40,000</u>	<u>42,720</u>	<u>51,622</u>	<u>8,902</u>
<b>EXPENDITURES</b>				
Community services	52,000	71,235	43,545	27,690
<b>Total expenditures</b>	<u>52,000</u>	<u>71,235</u>	<u>43,545</u>	<u>27,690</u>
Excess (deficiency) of revenues over expenditures	(12,000)	(28,515)	8,077	36,592
<b>OTHER FINANCING SOURCES (USES)</b>				
Appropriated fund balance	24,600	41,115	-	(41,115)
Transfers out	(12,600)	(12,600)	(12,600)	-
<b>Total other financing sources (uses)</b>	12,000	28,515	(12,600)	(41,115)
Net change in fund balances	-	-	(4,523)	(4,523)
<b>FUND BALANCE, beginning of year</b>	<u>67,294</u>	<u>67,294</u>	<u>67,294</u>	<u>-</u>
<b>FUND BALANCE, end of year</b>	<u>\$ 67,294</u>	<u>\$ 67,294</u>	<u>\$ 62,771</u>	<u>\$ (4,523)</u>

**ORANGE COUNTY, NORTH CAROLINA  
ADOPTION ENHANCEMENT**

**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)  
FOR THE YEAR ENDED JUNE 30, 2017**

	Project	Actual		
	Authorization	Prior Years	Current Year	Total
<b>REVENUES</b>				
Charges for services	\$ 27,268	\$ 21,894	\$ -	\$ 21,894
Intergovernmental	131,865	139,365	50,400	189,765
Investment earnings	-	17,298	288	17,586
Miscellaneous	<u>197,323</u>	<u>387,280</u>	<u>19,333</u>	<u>406,613</u>
Total revenues	<u>356,456</u>	<u>565,837</u>	<u>70,021</u>	<u>635,858</u>
<b>EXPENDITURES</b>				
Human services	<u>633,401</u>	<u>607,660</u>	<u>24,064</u>	<u>631,724</u>
Excess (deficiency) of revenues over expenditures	(276,945)	(41,823)	45,957	4,134
<b>OTHER FINANCING SOURCES</b>				
Transfers in	<u>76,945</u>	<u>76,945</u>	<u>-</u>	<u>76,945</u>
Total other financing sources	<u>76,945</u>	<u>76,945</u>	<u>-</u>	<u>76,945</u>
Net change in fund balance	<u>\$ (200,000)</u>	<u>\$ 35,122</u>	45,957	<u>\$ 81,079</u>
<b>FUND BALANCE, beginning of year</b>			<u>35,122</u>	
<b>FUND BALANCE, end of year</b>			<u>\$ 81,079</u>	

**ORANGE COUNTY, NORTH CAROLINA  
IMPACT FEES**

**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Budget</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Licenses and permits	\$ 2,640,000	\$ 2,640,000	\$ 2,114,028	\$ (525,972)
Investment earnings	-	-	40,496	40,496
<b>Total revenues</b>	<u>2,640,000</u>	<u>2,640,000</u>	<u>2,154,524</u>	<u>(485,476)</u>
<b>OTHER FINANCING USES</b>				
Transfers out	<u>(2,640,000)</u>	<u>(2,640,000)</u>	<u>(2,940,000)</u>	<u>(300,000)</u>
<b>Total other financing uses</b>	<u>(2,640,000)</u>	<u>(2,640,000)</u>	<u>(2,940,000)</u>	<u>(300,000)</u>
Net change in fund balances	-	-	(785,476)	(785,476)
<b>FUND BALANCE, beginning of year</b>	<u>5,814,833</u>	<u>5,814,833</u>	<u>5,814,833</u>	<u>-</u>
<b>FUND BALANCE, end of year</b>	<u>\$ 5,814,833</u>	<u>\$ 5,814,833</u>	<u>\$ 5,029,357</u>	<u>\$ (785,476)</u>

**ORANGE COUNTY, NORTH CAROLINA  
COUNTY CAPITAL IMPROVEMENTS**

**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)  
PROJECT LIFE AS OF JUNE 30, 2017**

	Project	Actual		
	Authorization	Prior Years	Current Year	Total
<b>REVENUES</b>				
Federal grants	\$ 11,701,587	\$ 8,060,617	\$ 879,422	\$ 8,940,039
State grants	12,148,023	5,868,268	22,621	5,890,889
Investment earnings	2,624,400	3,428,144	109,191	3,537,335
Miscellaneous	<u>1,672,570</u>	<u>3,816,619</u>	<u>98,190</u>	<u>3,914,809</u>
Total revenues	<u>28,146,580</u>	<u>21,173,648</u>	<u>1,109,424</u>	<u>22,283,072</u>
<b>EXPENDITURES</b>				
Capital outlay	171,786,692	122,434,083	5,538,992	127,973,075
Debt service:				
Interest and fees	-	1,097,215	180,233	1,277,448
Total expenditures	<u>171,786,692</u>	<u>123,531,298</u>	<u>5,719,225</u>	<u>129,250,523</u>
Deficiency of revenues over expenditures	(143,640,112)	(102,357,650)	(4,609,801)	(106,967,451)
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from bond issuance	34,338,020	132,448,500	-	132,448,500
Bond premium	2,000,000	21,728,756	-	21,728,756
Installment loan issuance	110,394,934	90,783,865	9,354,561	100,138,426
Capital lease issuance	-	2,540,999	-	2,540,999
Payment to escrow agent	(21,500,000)	(144,673,482)	-	(144,673,482)
Transfers in	23,427,121	21,072,497	945,653	22,018,150
Transfers out	(3,742,500)	(3,436,764)	(60,000)	(3,496,764)
Appropriated fund balance	<u>1,346,937</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>146,264,512</u>	<u>120,464,371</u>	<u>10,240,214</u>	<u>130,704,585</u>
Net change in fund balance	<u>\$ 2,624,400</u>	<u>\$ 18,106,721</u>	5,630,413	<u>\$ 23,737,134</u>
<b>FUND BALANCE, beginning of year</b>			<u>18,106,721</u>	
<b>FUND BALANCE, end of year</b>			<u>\$ 23,737,134</u>	

**ORANGE COUNTY, NORTH CAROLINA  
SCHOOL CAPITAL IMPROVEMENTS**

**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)  
PROJECT LIFE AS OF JUNE 30, 2017**

	Project	Actual		Total
	Authorization	Prior Years	Current Year	
<b>REVENUES</b>				
Investment earnings	\$ 60,000	\$ 656,126	\$ -	\$ 656,126
Sales tax	180,000	422,336	59,998	482,334
Lottery proceeds	2,892,139	2,959,057	-	2,959,057
Miscellaneous	-	33,759	-	33,759
Total revenues	<u>3,132,139</u>	<u>4,071,278</u>	<u>59,998</u>	<u>4,131,276</u>
<b>EXPENDITURES</b>				
Orange County Schools	42,652,427	21,498,314	2,205,603	23,703,917
Chapel Hill-Carrboro City Schools	89,102,424	54,127,330	8,941,181	63,068,511
Other	-	43,215	-	43,215
Total expenditures	<u>131,754,851</u>	<u>75,668,859</u>	<u>11,146,784</u>	<u>86,815,643</u>
Deficiency of revenues over expenditures	(128,622,712)	(71,597,581)	(11,086,786)	(82,684,367)
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond issuance	54,170,874	14,170,873	-	14,170,873
Installment loan issuance	32,028,426	41,954,714	-	41,954,714
Transfers in	42,375,667	25,738,804	5,150,784	30,889,588
Appropriated fund balance	47,745	-	-	-
Total expenditures	<u>128,622,712</u>	<u>81,864,391</u>	<u>5,150,784</u>	<u>87,015,175</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 10,266,810</u>	<u>(5,936,002)</u>	<u>\$ 4,330,808</u>
<b>FUND BALANCE, beginning of year</b>			<u>10,266,810</u>	
<b>FUND BALANCE, end of year</b>			<u>\$ 4,330,808</u>	

**ORANGE COUNTY, NORTH CAROLINA**  
**SOLID WASTE**

**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)  
FOR THE YEAR ENDED JUNE 30, 2017**

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Landfill fees	\$ 313,100	\$ 313,100	\$ 518,949	\$ 205,849
Sanitation fees	70,000	70,000	91,741	21,741
Recycling	7,243,796	7,243,795	7,656,934	413,139
State grants	43,000	43,000	10,476	(32,524)
Other operating	120,000	120,000	117,329	(2,671)
Investment earnings	15,000	15,000	79,725	64,725
Total revenues	<u>7,804,896</u>	<u>7,804,895</u>	<u>8,475,154</u>	<u>670,259</u>
<b>EXPENDITURES</b>				
Administration	2,068,479	2,098,590	1,951,107	147,483
Landfill	1,028,495	1,299,691	1,414,225	(114,534)
Recycling	4,428,636	5,045,216	4,217,276	827,940
Sanitation	2,549,186	5,840,373	2,211,492	3,628,881
Debt service	616,266	616,266	664,313	(48,047)
Total expenditures	<u>10,691,062</u>	<u>14,900,136</u>	<u>10,458,413</u>	<u>4,441,723</u>
Deficiency of revenues over expenditures	(2,886,166)	(7,095,241)	(1,983,259)	5,111,982
<b>OTHER FINANCING SOURCES</b>				
Debt proceeds	-	-	562,717	562,717
Transfers in	705,826	705,826	1,284,719	578,893
Proceeds from sale of capital assets	86,000	86,000	749,361	663,361
Appropriated fund balance	2,094,340	6,303,415	-	(6,303,415)
Total other financing sources	<u>2,886,166</u>	<u>7,095,241</u>	<u>2,596,797</u>	<u>(4,498,444)</u>
Net change in net position	<u>\$ -</u>	<u>\$ -</u>	613,538	<u>\$ 613,538</u>
Adjustments to full accrual:				
Capital outlays			1,618,889	
Net book value of capital asset disposals			(618,297)	
Payments of debt service - principal			449,353	
Decrease in estimated post-closure costs			(289,458)	
Issuance of installment notes			(562,717)	
Increase in compensated absences			114,887	
Increase in OPEB obligation			(68,686)	
Decrease in net pension liability			(67,471)	
Change in accrued interest			1,765	
Depreciation expense			(1,498,855)	
Change in net position - GAAP Basis			<u>\$ (307,052)</u>	

**ORANGE COUNTY, NORTH CAROLINA  
SPORTSPLEX**

**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)  
FOR THE YEAR ENDED JUNE 30, 2017**

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Charges for services	\$ 3,319,970	\$ 3,319,970	\$ 3,322,980	\$ 3,010
Total revenues	<u>3,319,970</u>	<u>3,319,970</u>	<u>3,322,980</u>	<u>3,010</u>
<b>EXPENDITURES</b>				
Operations	2,761,086	6,860,004	2,789,639	4,070,365
Capital outlay	58,884	58,884	58,884	-
Debt service	652,850	652,850	686,246	(33,396)
Total expenditures	<u>3,472,820</u>	<u>7,571,738</u>	<u>3,534,769</u>	<u>4,036,969</u>
Deficiency of revenues over expenditures	(152,850)	(4,251,768)	(211,789)	4,039,979
<b>OTHER FINANCING SOURCES</b>				
Appropriated fund balance	-	1,298,918	-	(1,298,918)
Debt proceeds	-	2,800,000	2,674,000	(126,000)
Transfers in	152,850	152,850	152,850	-
Total other financing sources	<u>152,850</u>	<u>4,251,768</u>	<u>2,826,850</u>	<u>(1,424,918)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	2,615,061	<u>\$ 2,615,061</u>
Adjustments to full accrual:				
Capital outlays			58,884	
Issuance of installment notes			(2,674,000)	
Payments of debt service - principal			491,729	
Change in accrued interest			1,765	
Depreciation expense			(372,343)	
Change in net position - GAAP Basis			<u>\$ 121,096</u>	

**ORANGE COUNTY, NORTH CAROLINA  
EFLAND SEWER OPERATING**

**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)  
FOR THE YEAR ENDED JUNE 30, 2017**

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Charges for services	\$ 214,205	\$ 214,205	\$ 192,779	\$ (21,426)
Investment earnings	-	-	1,042	1,042
Intergovernmental	825,658	825,658	-	(825,658)
Miscellaneous	402,660	402,660	-	(402,660)
Total revenues	<u>1,442,523</u>	<u>1,442,523</u>	<u>193,821</u>	<u>(1,248,702)</u>
<b>EXPENDITURES</b>				
Operations	399,060	391,590	289,895	101,695
Repairs and maintenance	33,780	41,250	22,789	18,461
Capital outlays	24,921	24,921	-	24,921
Total expenditures	<u>457,761</u>	<u>457,761</u>	<u>312,684</u>	<u>145,077</u>
Excess (deficiency) of revenues over expenditures	984,762	984,762	(118,863)	(1,103,625)
<b>OTHER FINANCING SOURCES</b>				
Issuance of bonds	200,000	200,000	-	(200,000)
Transfers in	132,609	132,609	130,780	(1,829)
Total other financing sources	<u>332,609</u>	<u>332,609</u>	<u>130,780</u>	<u>(201,829)</u>
Net change in fund balance	<u>\$ 1,317,371</u>	<u>\$ 1,317,371</u>	11,917	<u>\$ (1,305,454)</u>
Adjustments to full accrual:				
Depreciation expense			(87,134)	
Change in net position - GAAP Basis			<u>\$ (75,217)</u>	

**ORANGE COUNTY, NORTH CAROLINA**

**COMBINING STATEMENT OF NET POSITION  
INTERNAL SERVICE FUNDS  
JUNE 30, 2017**

ASSETS	Dental and Health Insurance Fund	Vehicle Replacement Fund	Totals
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 2,159,028	\$ -	\$ 2,159,028
Accounts receivable	136,348	179,526	315,874
Total current assets	<u>2,295,376</u>	<u>179,526</u>	<u>2,474,902</u>
<b>CAPITAL ASSETS</b>			
Depreciable, net of accumulated depreciation	-	2,082,104	2,082,104
Total noncurrent assets	<u>-</u>	<u>2,082,104</u>	<u>2,082,104</u>
Total assets	<u>2,295,376</u>	<u>2,261,630</u>	<u>4,557,006</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accrued liabilities	-	16,203	16,203
Claims payable	1,325,054	-	1,325,054
Installment contracts, current	-	365,889	365,889
Total current liabilities	<u>1,325,054</u>	<u>382,092</u>	<u>1,707,146</u>
<b>NONCURRENT LIABILITIES</b>			
Installments contracts	-	2,637,711	2,637,711
Total noncurrent liabilities	<u>-</u>	<u>2,637,711</u>	<u>2,637,711</u>
Total liabilities	<u>1,325,054</u>	<u>3,019,803</u>	<u>4,344,857</u>
<b>NET POSITION</b>			
Net investment in capital assets	-	(921,496)	(921,496)
Unrestricted	970,322	163,323	1,133,645
Total net position	<u>\$ 970,322</u>	<u>\$ (758,173)</u>	<u>\$ 212,149</u>

**ORANGE COUNTY, NORTH CAROLINA**

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN NET POSITION  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017**

	<b>Dental and Health Insurance Fund</b>	<b>Vehicle Replacement Fund</b>	<b>Totals</b>
<b>OPERATING REVENUES</b>			
Other operating revenues	\$ 345,888	\$ 690,108	\$ 1,035,996
Employee contributions	9,997,600	-	9,997,600
<b>Total operating revenues</b>	<b>10,343,488</b>	<b>690,108</b>	<b>11,033,596</b>
<b>OPERATING EXPENSES</b>			
Administrative and general	436,727	-	436,727
Depreciation	-	985,583	985,583
Claims and payments to third party administrators	10,409,343	-	10,409,343
<b>Total operating expenses</b>	<b>10,846,070</b>	<b>985,583</b>	<b>11,831,653</b>
Operating loss	(502,582)	(295,475)	(798,057)
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Intergovernmental revenues	-	368,367	368,367
Investment earnings	7,193	306	7,499
Interest expense	-	(69,840)	(69,840)
<b>Total non-operating revenue (expenses)</b>	<b>7,193</b>	<b>298,833</b>	<b>306,026</b>
Change in net position	(495,389)	3,358	(492,031)
<b>Net position, beginning of year</b>	<b>1,465,711</b>	<b>(761,531)</b>	<b>704,180</b>
<b>Net position, end of year</b>	<b>\$ 970,322</b>	<b>\$ (758,173)</b>	<b>\$ 212,149</b>

**ORANGE COUNTY, NORTH CAROLINA**

**COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017**

	<b>Dental and Health Insurance Fund</b>	<b>Vehicle Replacement Fund</b>	<b>Totals</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 10,207,377	\$ 690,108	\$ 10,897,485
Payments to suppliers	(10,669,187)	(87,098)	(10,756,285)
Net cash provided by (used in) operating activities	<u>(461,810)</u>	<u>603,010</u>	<u>141,200</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchases and acquisition of capital assets	-	(1,510,768)	(1,510,768)
Proceeds from capital grants	-	188,841	188,841
Proceeds from issuance of debt	-	789,722	789,722
Principal payments on long-term debt	-	(349,042)	(349,042)
Interest paid	-	(70,698)	(70,698)
Net cash used in capital and related financing activities	<u>-</u>	<u>(951,945)</u>	<u>(951,945)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	7,193	306	7,499
Net cash provided by investing activities	<u>7,193</u>	<u>306</u>	<u>7,499</u>
Net decrease in cash and cash equivalents	(454,617)	(348,629)	(803,246)
Cash and cash equivalents, beginning of year	2,613,645	348,629	2,962,274
Cash and cash equivalents, end of year	<u>\$ 2,159,028</u>	<u>\$ -</u>	<u>\$ 2,159,028</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>			
Operating loss	\$ (502,582)	\$ (295,475)	\$ (798,057)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
Depreciation expense	-	985,583	985,583
Change in assets and liabilities:			
Increase in accounts receivable	(136,111)	-	(136,111)
Decrease in accounts payable	-	(87,098)	(87,098)
Increase in claims payable	176,883	-	176,883
Net cash provided by (used in) operating activities	<u>(461,810)</u>	<u>603,010</u>	<u>141,200</u>

The accompanying notes are an integral part of these financial statements.

**ORANGE COUNTY, NORTH CAROLINA  
DENTAL AND HEALTH INSURANCE**

**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)  
FOR THE YEAR ENDED JUNE 30, 2017**

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Charges for services	\$ 9,825,254	\$ 9,825,254	\$ 9,997,600	\$ 172,346
Investment earnings	-	-	7,194	7,194
Miscellaneous	-	-	345,888	345,888
Total revenues	<u>9,825,254</u>	<u>9,825,254</u>	<u>10,350,682</u>	<u>525,428</u>
<b>EXPENDITURES</b>				
Operations	9,904,509	9,904,509	10,669,188	(764,679)
Total expenditures	<u>9,904,509</u>	<u>9,904,509</u>	<u>10,669,188</u>	<u>(764,679)</u>
Deficiency of revenues over expenditures	(79,255)	(79,255)	(318,506)	(239,251)
<b>OTHER FINANCING SOURCES</b>				
Appropriated fund balance	79,255	79,255	-	(79,255)
Total other financing sources	<u>79,255</u>	<u>79,255</u>	<u>-</u>	<u>(79,255)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(318,506)	<u>\$ (318,506)</u>
Adjustments to full accrual:				
Increase in claims payable			(176,883)	
Change in net position - GAAP Basis			<u>\$ (495,389)</u>	

**ORANGE COUNTY, NORTH CAROLINA  
VEHICLE REPLACEMENT**

**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)  
FOR THE YEAR ENDED JUNE 30, 2017**

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 285,104	\$ 285,104	\$ 368,367	\$ 83,263
Charges for services	-	-	625,244	625,244
Investment earnings	-	-	306	306
Total revenues	<u>285,104</u>	<u>285,104</u>	<u>993,917</u>	<u>708,813</u>
<b>EXPENDITURES</b>				
Capital outlay	1,431,576	1,431,576	1,445,905	(14,329)
Debt service	-	-	418,882	(418,882)
Total expenditures	<u>1,431,576</u>	<u>1,431,576</u>	<u>1,864,787</u>	<u>(433,211)</u>
Deficiency of revenues over expenditures	(1,146,472)	(1,146,472)	(870,870)	275,602
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of installment contract	789,722	789,722	789,722	-
Appropriated fund balance	356,750	356,750	-	(356,750)
Total other financing sources (uses)	<u>1,146,472</u>	<u>1,146,472</u>	<u>789,722</u>	<u>(356,750)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(81,148)	<u>\$ (81,148)</u>
Adjustments to full accrual:				
Capital outlays			1,510,769	
Payments of debt service - principal			349,042	
Issuance of installment notes			(789,722)	
Depreciation expense			(985,583)	
Change in net position - GAAP Basis			<u>\$ 3,358</u>	

**ORANGE COUNTY, NORTH CAROLINA**

**COMBINING STATEMENT OF ASSETS AND LIABILITIES  
AGENCY FUNDS  
JUNE 30, 2017**

---

<u>ASSETS</u>	<u>School District</u>	<u>Jail Inmate</u>	<u>Cooperative Extension 4-H</u>	<u>American Stone No Fault Well Repair</u>	<u>Communication Tower Trust</u>
Cash	\$ 130,534	\$ 49,356	\$ 79,924	\$ 141,841	\$ 1,723
Other receivables	122,936	-	-	-	-
Taxes receivable	315,448	-	-	-	-
Total assets	<u>\$ 568,918</u>	<u>\$ 49,356</u>	<u>\$ 79,924</u>	<u>\$ 141,841</u>	<u>\$ 1,723</u>
 <u>LIABILITIES</u>					
Due to others	\$ 253,470	\$ 49,356	\$ 79,924	\$ 141,841	\$ 1,723
Uncollected taxes	315,448	-	-	-	-
Total liabilities	<u>\$ 568,918</u>	<u>\$ 49,356</u>	<u>\$ 79,924</u>	<u>\$ 141,841</u>	<u>\$ 1,723</u>

---

<u>DSS Trust</u>	<u>Mental Health Insurance</u>	<u>Orange County Giving</u>	<u>Total</u>
\$ 114,412	\$ 418,337	\$ 128,689	\$ 1,064,816
-	-	-	122,936
-	-	-	315,448
<u>\$ 114,412</u>	<u>\$ 418,337</u>	<u>\$ 128,689</u>	<u>\$ 1,503,200</u>

\$ 114,412	\$ 418,337	\$ 128,689	\$ 1,187,752
-	-	-	315,448
<u>\$ 114,412</u>	<u>\$ 418,337</u>	<u>\$ 128,689</u>	<u>\$ 1,503,200</u>

**ORANGE COUNTY, NORTH CAROLINA**

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Balance</u> <u>July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2017</u>
<b><u>School District Fund</u></b>				
<b>ASSETS</b>				
Cash	\$ 139,069	\$ 22,802,452	\$ (22,810,987)	\$ 130,534
Other receivables	115,481	1,242,047	(1,234,592)	122,936
Taxes receivable	298,035	21,485,820	(21,468,407)	315,448
Total assets	<u>\$ 552,585</u>	<u>\$ 45,530,319</u>	<u>\$ (45,513,986)</u>	<u>\$ 568,918</u>
<b>LIABILITIES</b>				
Due to others	\$ 254,550	\$ 24,044,499	\$ (24,045,579)	\$ 253,470
Uncollected taxes	298,035	21,485,820	(21,468,407)	315,448
Total liabilities	<u>\$ 552,585</u>	<u>\$ 45,530,319</u>	<u>\$ (45,513,986)</u>	<u>\$ 568,918</u>
<b><u>Jail Inmate Fund</u></b>				
<b>ASSETS</b>				
Cash	\$ 82,678	\$ 315,770	\$ (349,092)	\$ 49,356
Total assets	<u>\$ 82,678</u>	<u>\$ 315,770</u>	<u>\$ (349,092)</u>	<u>\$ 49,356</u>
<b>LIABILITIES</b>				
Due to others	\$ 82,678	\$ 315,770	\$ (349,092)	\$ 49,356
Total liabilities	<u>\$ 82,678</u>	<u>\$ 315,770</u>	<u>\$ (349,092)</u>	<u>\$ 49,356</u>
<b><u>Cooperative Extension 4-H Fund</u></b>				
<b>ASSETS</b>				
Cash	\$ 85,943	\$ 23,767	\$ (29,786)	\$ 79,924
Total assets	<u>\$ 85,943</u>	<u>\$ 23,767</u>	<u>\$ (29,786)</u>	<u>\$ 79,924</u>
<b>LIABILITIES</b>				
Due to others	\$ 85,943	\$ 23,767	\$ (29,786)	\$ 79,924
Total liabilities	<u>\$ 85,943</u>	<u>\$ 23,767</u>	<u>\$ (29,786)</u>	<u>\$ 79,924</u>

(Continued)

**ORANGE COUNTY, NORTH CAROLINA**

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Balance</u> <u>July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2017</u>
<b><u>American Stone No Fault Well Repair</u></b>				
<b>ASSETS</b>				
Cash	\$ 171,873	\$ 15,781	\$ (45,813)	\$ 141,841
Total assets	<u>\$ 171,873</u>	<u>\$ 15,781</u>	<u>\$ (45,813)</u>	<u>\$ 141,841</u>
<b>LIABILITIES</b>				
Due to others	\$ 171,873	\$ 15,781	\$ (45,813)	\$ 141,841
Total liabilities	<u>\$ 171,873</u>	<u>\$ 15,781</u>	<u>\$ (45,813)</u>	<u>\$ 141,841</u>
<b><u>Communication Tower Trust Fund</u></b>				
<b>ASSETS</b>				
Cash	\$ -	\$ 2,124	\$ (401)	\$ 1,723
Total assets	<u>\$ -</u>	<u>\$ 2,124</u>	<u>\$ (401)</u>	<u>\$ 1,723</u>
<b>LIABILITIES</b>				
Due to others	\$ -	\$ 2,124	\$ (401)	\$ 1,723
Total liabilities	<u>\$ -</u>	<u>\$ 2,124</u>	<u>\$ (401)</u>	<u>\$ 1,723</u>
<b><u>DSS Trust Fund</u></b>				
<b>ASSETS</b>				
Cash	\$ 97,503	\$ 645,643	\$ (628,734)	\$ 114,412
Total assets	<u>\$ 97,503</u>	<u>\$ 645,643</u>	<u>\$ (628,734)</u>	<u>\$ 114,412</u>
<b>LIABILITIES</b>				
Due to others	\$ 97,503	\$ 645,643	\$ (628,734)	\$ 114,412
Total liabilities	<u>\$ 97,503</u>	<u>\$ 645,643</u>	<u>\$ (628,734)</u>	<u>\$ 114,412</u>

(Continued)

**ORANGE COUNTY, NORTH CAROLINA**

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Balance</u> <u>July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2017</u>
<b><u>Mental Health Insurance Fund</u></b>				
<b>ASSETS</b>				
Cash	\$ 419,660	\$ 1,580	\$ (2,903)	\$ 418,337
Total assets	<u>\$ 419,660</u>	<u>\$ 1,580</u>	<u>\$ (2,903)</u>	<u>\$ 418,337</u>
<b>LIABILITIES</b>				
Due to others	\$ 419,660	\$ 1,580	\$ (2,903)	\$ 418,337
Total liabilities	<u>\$ 419,660</u>	<u>\$ 1,580</u>	<u>\$ (2,903)</u>	<u>\$ 418,337</u>
<b><u>Orange County Community Giving Fund</u></b>				
<b>ASSETS</b>				
Cash	\$ 77,101	\$ 328,683	\$ (277,095)	\$ 128,689
Total assets	<u>\$ 77,101</u>	<u>\$ 328,683</u>	<u>\$ (277,095)</u>	<u>\$ 128,689</u>
<b>LIABILITIES</b>				
Due to others	\$ 77,101	\$ 328,683	\$ (277,095)	\$ 128,689
Total liabilities	<u>\$ 77,101</u>	<u>\$ 328,683</u>	<u>\$ (277,095)</u>	<u>\$ 128,689</u>
<b><u>Total Agency Funds</u></b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,073,827	\$ 24,135,800	\$ (24,144,811)	\$ 1,064,816
Other receivables	115,481	1,242,047	(1,234,592)	122,936
Taxes receivable	298,035	21,485,820	(21,468,407)	315,448
Total assets	<u>\$ 1,487,343</u>	<u>\$ 46,863,667</u>	<u>\$ (46,847,810)</u>	<u>\$ 1,503,200</u>
<b>LIABILITIES</b>				
Due to others	\$ 1,189,308	\$ 25,377,847	\$ (25,379,403)	\$ 1,187,752
Uncollected taxes	298,035	21,485,820	(21,468,407)	315,448
Total liabilities	<u>\$ 1,487,343</u>	<u>\$ 46,863,667</u>	<u>\$ (46,847,810)</u>	<u>\$ 1,503,200</u>

**ORANGE COUNTY, NORTH CAROLINA**  
**SCHEDULE OF AD VALOREM TAXES RECEIVABLE**  
**JUNE 30, 2017**

Fiscal Year	Uncollected Balance June 30, 2016	Additions	Collections and Credits	Uncollected Balance June 30, 2017
2016-2017	\$ -	\$ 149,566,210	\$ 148,358,015	\$ 1,208,195
2015-2016	1,219,810	-	672,081	547,729
2014-2015	566,698	-	207,837	358,861
2013-2014	416,582	-	112,098	304,484
2012-2013	346,145	-	67,297	278,848
2011-2012	239,612	-	45,207	194,405
All- prior	1,150,035	-	50,699	1,099,336
	<u>\$ 3,938,882</u>	<u>\$ 149,566,210</u>	<u>\$ 149,513,234</u>	<u>3,991,858</u>
				<u>(1,867,300)</u>
				<u>\$ 2,124,558</u>
<u>Reconciliation to revenues:</u>				
				\$ 149,438,360
				Reconciling items:
				Less 60 day collections (281,564)
				Interest and penalties 542,049
				Miscellaneous adjustments (185,611)
				<u>\$ 149,513,234</u>

# ORANGE COUNTY, NORTH CAROLINA

## ANALYSIS OF CURRENT TAX LEVY COUNTY-WIDE LEVY JUNE 30, 2017

	County - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	Original levy:				
Property taxed at current rate	\$ 17,054,039,170	0.088	\$ 152,073,324	\$ 141,988,107	\$ 10,085,217
Motor vehicle taxed at prior year rate	78,240	0.088	687	-	687
Penalties	-		79,938	79,938	-
Lien advertisement	-		10,994	10,994	-
Total	17,054,117,410		152,164,943	142,079,039	10,085,904
Adjustments	(29,598,326)	0.088	(2,598,733)	(2,598,733)	-
Total property valuation	\$ 17,024,519,084				
Net levy			149,566,210	139,480,306	10,085,904
Uncollected taxes at June 30, 2017			(1,208,195)	(1,193,750)	(14,445)
Current year's taxes collected			\$ 148,358,015	\$ 138,286,556	\$ 10,071,459
Current levy collection percentage			99.19%	99.14%	99.86%

# STATISTICAL SECTION

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This part of Orange County’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the County’s overall financial health.

	<u>Page</u>
<b>Financial Trends</b> .....	<b>132</b>
These schedules contain trend information to help the reader understand how the County’s financial performance and well-being have changed over time.	
<b>Revenue Capacity</b> .....	<b>136</b>
These schedules contain information to help the reader assess the County’s most significant local revenue source, property tax.	
<b>Debt Capacity</b> .....	<b>140</b>
These schedules present information to help the reader assess the affordability of the County’s current levels of outstanding debt and the County’s ability to issue additional debt in the future.	
<b>Demographic and Economic Information</b> .....	<b>144</b>
These schedules offer demographic and economic indicators to help the reader understand the environment within which the County’s financial activities take place.	
<b>Operating Information</b> .....	<b>147</b>
These schedules contain service and infrastructure data to help the reader understand how the information in the County’s financial report relates to the services the County provides and the activities it performs.	

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.

**ORANGE COUNTY, NORTH CAROLINA**

Table 1

**Net Position By Component  
Last Ten Fiscal Years  
(Accrual Basis of Accounting)**

	For Year Ended June 30									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Governmental activities</b>										
Net investment in capital assets	\$29,924,257	\$23,190,053	\$42,946,587	\$21,308,363	\$19,154,413	\$35,398,235	\$33,142,313	\$31,659,037	\$15,390,929	\$10,104,943
Restricted for:										
Stabilization by State statute	12,264,244	13,686,337	12,845,946	15,617,944	14,036,419	11,153,113	8,727,555	-	-	-
Restricted, all other	17,264,973	23,225,509	4,493,650	4,287,300	12,551,518	27,503,219	1,250,092	-	-	-
Unrestricted	(75,768,374)	(79,853,142)	(94,888,828)	(91,105,688)	(101,233,902)	(131,483,110)	(110,118,490)	(113,765,405)	(116,043,276)	(118,028,841)
<b>Total governmental activities net position</b>	<b>\$ (16,314,900)</b>	<b>\$ (19,751,243)</b>	<b>\$ (34,602,645)</b>	<b>\$ (49,892,081)</b>	<b>\$ (55,491,552)</b>	<b>\$ (57,428,543)</b>	<b>\$ (66,998,530)</b>	<b>\$ (82,106,368)</b>	<b>\$ (100,652,347)</b>	<b>\$ (107,923,898)</b>
<b>Business-type activities</b>										
Net investment in capital assets	\$ 6,883,243	\$ 7,462,618	\$ 7,327,120	\$ 8,478,262	\$ 7,038,493	\$ 4,404,980	\$ 6,877,907	\$ 7,762,990	\$ 7,932,387	\$ 6,705,214
Unrestricted	5,058,871	3,322,472	2,539,292	2,563,784	3,862,994	2,753,605	(4,193)	(557,826)	1,459,512	4,279,258
<b>Total business-type activities net position</b>	<b>\$ 11,942,114</b>	<b>\$ 10,785,090</b>	<b>\$ 9,866,412</b>	<b>\$ 11,042,046</b>	<b>\$ 10,901,487</b>	<b>\$ 7,158,585</b>	<b>\$ 6,873,714</b>	<b>\$ 7,205,164</b>	<b>\$ 9,391,899</b>	<b>\$ 10,984,472</b>
<b>Primary government</b>										
Net investment in capital assets	\$36,807,500	\$30,652,671	\$50,273,707	\$29,786,625	\$26,192,906	\$39,803,215	\$40,020,220	\$39,422,027	\$23,323,316	\$16,810,157
Restricted for:										
Stabilization by State statute	12,264,244	13,686,337	12,845,946	15,617,944	14,036,419	11,153,113	8,727,555	-	-	-
Restricted, all other	17,264,973	23,225,509	4,493,650	4,287,300	12,551,518	27,503,219	1,250,092	-	-	-
Unrestricted	(70,709,503)	(76,530,670)	(92,349,536)	(88,541,904)	(97,370,608)	(128,729,502)	(110,122,683)	(114,323,231)	(114,583,764)	(113,749,583)
<b>Total primary government net position</b>	<b>\$ (4,372,786)</b>	<b>\$ (8,966,153)</b>	<b>\$ (24,736,233)</b>	<b>\$ (38,850,035)</b>	<b>\$ (44,589,765)</b>	<b>\$ (50,269,955)</b>	<b>\$ (60,124,816)</b>	<b>\$ (74,901,204)</b>	<b>\$ (91,260,448)</b>	<b>\$ (96,939,426)</b>

Note: In accordance with North Carolina law, liabilities of the County include approximately \$94 million in long-term debt associated with assets belonging to the Orange County Board of Education and the Chapel Hill-Carrboro Board of Education. As these assets are not reflected on the County's financial statements, while the full amount of long-term debt reflected on the County's financial statements, the County reports a deficit in net position.

Table 2

**ORANGE COUNTY, NORTH CAROLINA**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
**(Accrual Basis of Accounting)**

	For Year Ended June 30									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Expenses:</b>										
Governmental activities:										
Community services	\$ 14,528,306	\$ 11,798,260	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
General government	17,268,682	22,439,461	-	-	-	-	-	-	-	-
Support services	14,579,007	11,344,246	-	-	-	-	-	-	-	-
Governing and management	-	-	19,289,101	26,361,842	22,025,337	23,497,848	23,192,706	23,366,641	10,816,693	14,898,928
General services	-	-	9,178,467	7,867,632	6,980,383	7,222,770	7,155,635	6,826,209	18,730,842	12,422,454
Community and environment	-	-	13,773,024	11,552,941	9,821,519	9,786,774	10,288,447	12,726,270	10,932,997	20,065,425
Human services	45,058,561	46,087,661	38,142,905	36,755,137	35,126,478	33,431,309	33,536,733	33,011,737	37,604,903	38,842,566
Education	97,196,824	85,679,979	84,862,221	81,732,135	91,151,052	76,639,902	74,053,776	66,641,699	74,276,350	86,812,048
Public safety	29,634,987	28,476,942	27,613,011	25,479,585	24,569,638	23,717,846	22,352,109	21,796,091	20,166,400	23,399,912
Cultural and recreational	-	-	2,486,556	2,354,533	2,162,503	2,168,615	1,802,668	1,007,304	3,751,394	3,191,198
Interest on long-term debt	3,311,756	3,933,332	4,782,894	5,567,955	7,685,735	14,479,651	8,948,063	10,495,788	9,539,848	10,501,269
Total governmental activities expenses	221,578,123	209,759,881	200,128,179	197,671,760	199,522,645	190,944,715	181,330,137	175,871,739	185,819,427	210,133,800
Business-Type activities:										
Solid waste	10,197,990	10,280,177	11,037,061	11,463,642	6,892,530	10,552,420	10,436,377	11,216,161	10,036,966	8,342,749
Sewer	399,818	430,846	243,993	284,773	333,568	316,684	401,689	305,171	269,822	193,535
Sportsplex	3,354,734	3,420,624	3,215,365	3,135,791	3,020,626	2,909,120	2,977,153	2,937,975	3,145,593	2,800,482
Total business-type activities expenses	13,952,542	14,131,647	14,496,419	14,884,206	10,246,724	13,778,224	13,815,219	14,459,307	13,452,381	11,336,766
Total primary government expenses	\$ 235,530,665	\$ 223,891,528	\$ 214,624,598	\$ 212,555,966	\$ 209,769,369	\$ 204,722,939	\$ 195,145,356	\$ 190,331,046	\$ 199,271,808	\$ 221,470,566
<b>Revenues:</b>										
Governmental activities:										
Program revenues:										
Charges for services	16,424,044	15,778,566	15,698,925	14,100,487	13,235,408	12,766,266	12,532,375	11,926,481	11,707,014	12,233,135
Operating grants and contributions	26,044,125	26,418,629	26,224,918	26,259,362	24,611,570	23,403,397	24,934,383	25,180,675	23,255,128	23,447,199
Capital grants and contributions	1,000,233	1,059,278	1,112,971	1,656,217	2,489,408	6,075,501	5,578,325	4,270,546	5,900,817	1,648,654
General revenues:										
Property taxes	155,565,259	153,059,233	149,605,562	148,940,579	142,951,109	141,596,821	140,247,782	137,966,129	130,773,568	122,093,823
Other taxes	29,522,796	27,712,231	26,378,822	22,924,419	21,248,342	18,771,966	15,115,418	15,441,100	19,736,772	24,058,200
Other	618,793	267,113	25,268	29,414	107,517	756,382	102,822	(367,213)	2,222,054	2,340,763
Total governmental activities program revenues	229,175,250	224,295,050	219,046,466	213,910,478	204,643,354	202,870,333	198,511,105	194,417,718	193,595,353	185,821,774
Business-type activities:										
Charges for services	11,861,307	11,719,530	8,496,708	8,708,132	11,201,138	11,278,046	10,980,033	10,724,011	10,233,917	10,624,806
Operating grants and contributions	-	-	1,192,897	274,429	466,966	419,354	414,853	434,968	401,180	198,046
Other	261,713	162,555	2,328	2,969	9,624	10,067	15,753	1,113,593	720,336	2,344,005
Total business-type activities program revenues	12,123,020	11,882,085	9,691,933	8,985,530	11,677,728	11,707,467	11,410,639	12,272,572	11,355,433	13,166,857
Total primary government program revenues	241,298,270	236,177,135	228,738,399	222,896,008	216,321,082	214,577,800	209,921,744	206,690,290	204,950,786	198,988,631
Increase (decrease) in net position	5,767,605	12,285,607	14,113,801	10,340,042	6,551,713	9,854,861	14,776,388	16,359,244	5,678,978	(22,481,935)
<b>Change in net position</b>										
Net position, July 1, previously reported	(8,966,153)	(24,736,234)	(34,249,723)	(44,589,765)	(50,269,955)	(60,124,816)	(74,901,204)	(91,260,448)	(96,939,426)	(74,457,491)
Prior period adjustment	(1,174,238)	3,484,474	(4,600,312)	-	(871,523)	-	-	-	-	-
Net position, July 1, restated	(10,140,391)	(21,251,760)	(38,850,035)	(44,589,765)	(51,141,478)	(60,124,816)	(74,901,204)	(91,260,448)	(96,939,426)	(74,457,491)
Total net position, June 30	\$ (4,372,786)	\$ (8,966,153)	\$ (24,736,234)	\$ (34,249,723)	\$ (44,589,765)	\$ (50,269,955)	\$ (60,124,816)	\$ (74,901,204)	\$ (91,260,448)	\$ (96,939,426)

Note: Orange County changed to Functional Leadership Teams in FY 2015-16 (Community Services, General Government, and Support Services replaced Governing and management, General Services, Community and environment, and Cultural and recreational); the 2016 numbers are reflected in this organizational change.

ORANGE COUNTY, NORTH CAROLINA

TABLE 3

Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(Modified Accrual Basis of Accounting)

	For Year Ended June 30									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>General Fund</b>										
Non-spendable:										
Prepaid items	\$ 3,001	\$ 3,001	\$ -	\$ -	\$ 16,946	\$ 16,946	\$ 12,794			
Inventories	7,329	13,668	20,306	29,242	23,008	17,788	115,521			
Advances	136,000	-	-	-	-	-	-			
Total	146,330	17,669	20,306	29,242	39,954	34,734	128,315			
Restricted for:										
Stabilization for State statute	10,739,850	12,144,573	11,255,821	12,102,492	9,736,214	8,399,062	8,189,624			
Committed:										
Health benefits	7,543,841	7,543,841	-	6,001,641	3,105,267	145,919	53,524			
General services	-	-	-	-	-	-	-			
Assigned:										
Subsequent year expenditures	9,769,060	12,726,944	10,650,770	10,068,343	5,190,118	3,212,872	1,131,417			
Restricted	-	-	-	-	-	921,525	-			
Unassigned	34,527,885	32,034,160	35,548,843	33,913,229	36,608,054	35,145,394	27,782,007			
Total General Fund	62,726,966	64,466,187	65,019,581	62,114,947	54,679,607	47,859,506	37,284,887			
<b>All Other Governmental Funds</b>										
Non-spendable:										
Long-term portion of note receivable	-	-	-	-	-	-	-			
Restricted for:										
Stabilization for State Statute	1,524,394	1,541,764	1,590,125	3,515,452	4,467,734	2,754,051	537,931			
Restricted, all other	4,330,808	10,266,810	6,444,383	8,454,406	10,249,519	25,359,245	9,420,468			
Human services	2,748,663	2,533,694	-	-	-	-	-			
Governing and management	2,017,706	1,590,761	2,402,687	1,539,413	1,081,573	7,572,592	8,852,909			
Public safety	3,419,193	3,160,345	-	-	-	-	885,111			
Community services	-	-	-	-	-	-	-			
Community and environment	28,485,737	23,780,620	2,297,379	2,747,887	1,052,897	1,164,894	364,981			
Capital projects	-	-	-	-	-	-	-			
Committed										
Human services	81,079	35,122	788,612	659,102	741,703	723,920	563,941			
Education	-	-	113,388	113,371	113,352	583,490	2,227,377			
Governing and management	-	-	32,494	32,488	32,483	32,466	2,035,800			
Assigned:										
Human services	141,597	228,063	5,777,554	3,786,743	4,757,926	2,903,661	3,838,177			
Community services	62,771	67,294	-	-	-	-	-			
Community and environment	-	-	1,363,560	1,075,872	2,709,603	709,421	1,900,645			
General services	-	-	72,133	9,154	9,154	9,154	196,618			
Education	-	-	4,341,861	2,701,717	2,039,169	2,185,090	1,740,914			
Capital projects	146,913	146,144	-	-	-	-	-			
Unassigned	-	-	(276,297)	(2,695,073)	(3,667,415)	-	-			
Total All Other Government Funds	42,958,861	43,350,617	46,356,159	34,225,082	28,870,531	44,977,060	32,564,872			
Total Governmental Funds	\$ 105,685,827	\$ 107,816,804	\$ 111,375,740	\$ 96,340,029	\$ 83,550,138	\$ 92,836,566	\$ 69,849,759			

Notes:

(1) The statements prior to 2011 fund balances have not been restated to reflect the impact of the 2011 implementation of Governmental Accounting Standards Board State No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The years 2011 and after reflect this implementation.  
 Note: Orange County changed to Functional Leadership Teams in FY 2015-16 (Community Services, General Government, and Support Services replaced Governing and management, General Services, Community and environment, and Cultural and recreational); the 2016 numbers are reflected in this organizational change.

**ORANGE COUNTY, NORTH CAROLINA**

**Changes in Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(Modified Accrual Basis of Accounting)**

	For Year Ended June 30									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Revenues</b>										
Property taxes	\$ 155,630,633	\$ 153,539,268	\$ 150,938,119	\$ 149,384,079	\$ 142,589,666	\$ 141,141,578	\$ 139,112,298	\$ 137,768,671	\$ 131,799,145	\$ 122,740,765
Occupancy tax	1,518,624	1,504,414	1,357,706	-	-	-	-	-	-	-
Sales tax	28,004,172	26,207,817	25,021,116	22,924,419	21,248,342	18,271,966	15,115,418	15,441,100	18,814,450	23,318,982
Intergovernmental revenues	26,454,930	27,002,678	27,337,889	27,212,924	26,395,066	28,588,962	29,118,062	27,776,901	29,155,945	25,095,853
Charges for services	12,015,197	10,787,145	12,620,908	10,998,366	10,317,422	10,094,081	10,312,004	10,386,667	9,639,871	9,930,526
Investment earnings	618,793	267,113	25,155	29,301	107,430	756,242	102,386	125,672	793,690	3,490,123
Licenses and permits	314,454	3,164,736	331,510	324,537	322,477	329,265	403,014	328,216	363,594	354,569
Impact fees	2,114,028	2,004,324	2,763,756	1,811,944	2,021,204	1,648,235	1,459,901	1,214,819	1,238,494	1,504,522
Miscellaneous	2,584,793	243,823	1,558,260	969,654	1,242,602	1,458,674	1,733,217	2,519,964	1,839,989	913,489
Total revenues	229,255,624	224,721,318	221,954,419	213,655,224	204,244,229	202,289,003	197,356,300	195,562,010	193,645,178	187,348,829
<b>Expenditures</b>										
Current:										
Community services	14,186,060	11,980,673	-	-	-	-	-	-	-	-
General government	8,209,934	9,369,732	-	-	-	-	-	-	-	-
Governing and management	-	-	-	-	-	-	-	-	-	-
General services	-	-	13,050,437	13,027,305	12,280,547	11,946,149	11,547,032	13,454,030	9,451,313	8,809,336
Community and environment	-	-	8,823,950	7,793,954	7,041,005	6,536,064	6,716,171	9,450,070	12,911,229	10,807,804
Human services	44,427,224	46,769,208	13,612,192	12,915,703	11,815,147	12,308,296	11,853,619	12,314,548	10,232,393	9,904,764
Education	97,196,824	85,679,979	37,584,165	36,235,780	34,689,069	32,661,585	33,090,063	34,048,520	35,910,264	35,132,231
Public safety	29,093,813	28,396,838	78,548,393	71,212,992	67,488,591	63,989,903	63,912,513	63,048,729	64,722,715	60,385,461
Support services	13,929,639	11,661,104	26,634,573	25,678,516	23,304,121	23,063,645	22,643,182	20,810,410	20,926,310	20,285,768
Cultural and recreational	-	-	-	-	-	-	-	-	-	-
Capital outlay	5,538,992	7,580,903	2,647,079	2,395,681	2,167,876	2,078,964	1,810,933	1,790,199	3,322,213	3,114,616
Debt Service:										
Principal	19,830,716	20,049,781	19,344,248	18,803,953	16,267,209	18,718,055	18,715,710	17,180,037	17,038,179	15,258,741
Interest	6,854,627	6,867,259	8,369,842	6,680,919	8,759,668	15,280,193	9,909,939	8,634,932	9,170,485	9,462,709
Total expenditures	239,267,829	228,355,477	221,645,519	215,673,363	214,918,807	206,332,801	198,575,309	213,936,144	222,292,819	231,866,067
Excess of revenues	(10,012,205)	(3,634,159)	308,900	(2,018,139)	(10,674,578)	(4,043,798)	(1,219,009)	(18,374,134)	(28,647,641)	(44,517,238)
Over (Under) expenditures										
<b>Other financing sources (uses)</b>										
Bonds issuance	-	-	1,904,232	-	1,680,206	14,195,360	-	1,762,954	-	-
Refunding issuance	-	-	15,140,000	-	13,300,000	96,693,500	-	22,455,000	-	-
Refunding issue costs	-	-	-	-	-	-	-	-	-	-
Payments to escrow agent - refunding	-	-	(17,972,035)	-	(13,685,000)	(104,030,089)	-	(24,021,358)	-	-
Installment loans issuance	-	-	16,040,546	-	2,099,099	22,031,500	-	4,136,434	-	-
Capital leases issuance	9,354,561	6,655,158	18,549,081	-	11,899,439	-	-	-	38,700,000	-
Proceeds from sale of capital assets	95,016	32,167	-	-	-	-	-	-	562,617	-
Transfers in	9,706,368	8,280,750	6,756,556	8,036,336	11,265,642	7,663,511	7,630,887	14,606,087	14,070,320	10,688,569
Transfers out	(11,274,717)	(10,115,298)	(9,133,299)	(10,806,204)	(13,685,581)	(10,029,142)	(9,854,897)	(15,600,987)	(14,641,700)	(12,754,594)
Total other financing sources (uses)	7,881,228	4,852,777	12,736,000	15,779,213	974,366	26,524,640	9,675,429	3,338,130	38,691,237	(2,066,025)
Net change in fund balances	\$ (2,130,977)	\$ 1,218,618	\$ 13,044,900	\$ 13,761,074	\$ (9,700,212)	\$ 22,480,842	\$ 8,456,420	\$ (15,036,004)	\$ 10,043,596	\$ (46,583,263)
Debt service as a percentage of non-capital expenditures	11.30%	11.98%	12.70%	12.05%	11.87%	18.22%	15.88%	14.28%	13.38%	15.05%

(1) Debt service as a percentage of noncapital expenditures reflects principal and interest only divided by the sum of total expenditures less capital expenditures in all functional categories but only to the extent capitalized as an asset by the County.

Note: Orange County changed to Functional Leadership Teams in FY 2015-16 (Community Services, General Government, and Support Services replaced Governing and management, General Services, Community and environment, and Cultural and recreational); the 2016 numbers are reflected in this organizational change.

**ORANGE COUNTY, NORTH CAROLINA**

**Table 5**

**Assessed Value and Actual Value of Taxable Property  
Last Ten Fiscal Years  
(Unaudited)**

Fiscal Year	Real Property	Personal Property	Public-Service Companies	Less Tax-Exempt Property	Total Assessed Value	Direct Tax Rate	Estimated Actual Market Value	Assessed Value as a Percent of Actual Value
2008	\$ 11,183,241,007	\$ 1,219,216,812	\$ 218,549,070	\$ 39,786,610	12,581,220,279	0.950	\$ 14,977,643,189	84.00%
2009	11,423,377,444	1,214,725,067	226,279,680	44,144,633	12,820,237,558	0.998	15,577,445,392	82.30%
2010	14,131,248,011	1,234,045,107	233,399,929	59,956,991	15,538,736,056	0.858	18,091,437,950	85.89%
2011	14,349,991,992	1,173,260,442	228,934,751	62,197,005	15,689,990,180	0.858	18,269,667,186	85.88%
2012	14,509,087,828	1,217,661,746	234,219,001	61,832,450	15,899,136,125	0.858	18,726,408,865	84.90%
2013	14,630,730,056	1,274,117,983	235,565,073	64,439,641	16,075,973,471	0.858	18,896,681,052	85.07%
2014	14,734,501,833	1,724,462,428	239,923,242	66,527,135	16,632,360,368	0.858	19,398,362,762	85.57%
2015	14,863,350,430	1,461,891,252	244,191,811	67,500,359	16,501,943,134	0.878	19,323,118,424	85.40%
2016	15,020,157,254	1,442,897,338	382,744,805	67,617,005	16,778,182,392	0.878	19,676,536,170	85.27%
2017	15,168,750,327	1,620,578,558	306,434,830	71,244,631	17,024,519,084	0.878	19,932,700,016	85.41%

Source: Annual County Report of Valuation and Property Tax Levies

\* Assessed value of personal property includes an additional three months valuation

**ORANGE COUNTY, NORTH CAROLINA**

Direct and Overlapping Property Tax Rates  
Last Ten Fiscal Years  
(Unaudited)

Table 6

	For Year Ended June 30									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>County Direct Rates</b>										
Orange County (1)	\$ 0.0878	\$ 0.0878	\$ 0.0878	\$ 0.0878	\$ 0.0858	\$ 0.0858	\$ 0.0858	\$ 0.0858	\$ 0.9980	\$ 0.9500
Total general direct rate	0.0878	0.0878	0.0878	0.0878	0.0858	0.0858	0.0858	0.0858	0.9980	0.9500
Fire Districts (2)	0.0603	0.0623	0.0599	0.0663	0.0593	0.0593	0.0593	0.0593	0.0523	0.0423
Total direct rate	<u>0.1481</u>	<u>0.1501</u>	<u>0.1477</u>	<u>0.1521</u>	<u>0.1451</u>	<u>0.1451</u>	<u>0.1451</u>	<u>0.1451</u>	<u>0.0523</u>	<u>0.0570</u>
<b>Fire districts:</b>										
Cedar Grove						0.0736	0.0736	0.0736	0.0730	0.0730
Chapel Hill						0.0750	0.0750	0.0750	0.0490	0.0190
Damascus						0.0500	0.0500	0.0500	0.0600	0.0500
Efland						0.0466	0.0466	0.0466	0.0523	0.0423
Eno						0.0599	0.0599	0.0599	0.0570	0.0570
Little River						0.0406	0.0406	0.0406	0.0460	0.0460
New Hope						0.0895	0.0695	0.0695	0.0675	0.0675
Orange Grove						0.0408	0.0358	0.0580	0.0420	0.0390
Orange Rural						0.0561	0.0636	0.0636	0.0630	0.0560
South Orange						0.0785	0.0785	0.0785	0.0950	0.0400
Southern Triangle						0.0500	0.0500	0.0500	0.0600	0.0500
White Cross						0.0700	0.0600	0.0600	0.0600	0.0500
Chapel Hill-Carrboro School District	0.2084	0.2084	0.2084	0.2084	0.1884	0.1884	0.1884	0.1884	0.2300	0.2035
<b>Municipality rates:</b>										
Chapel Hill	0.5240	0.5240	0.5240	0.5140	0.4940	0.4940	0.4940	0.4940	0.5810	0.5220
Carrboro	0.5894	0.5894	0.5894	0.5894	0.5894	0.5894	0.5894	0.5894	0.6863	0.6537
Hillsborough	0.6800	0.6800	0.6800	0.6800	0.6800	0.6200	0.6200	0.6200	0.6700	0.6350
Mebane	0.4900	0.4900	0.4900	0.4700	0.4700	0.4700	0.4700	0.4700	0.4700	0.5000

Source: Orange County Tax Assessor Office

(1) All County and Municipal tax rates are the direct property tax rate.

(2) Most property in the unincorporated areas is subject to one of twelve fire district taxes. The fire districts' direct rate shown above is a weighted average rate, which is computed using the assessed property values.

**ORANGE COUNTY, NORTH CAROLINA**

Principal Property Tax Payers  
Current Year and Ten Years Ago  
(Unaudited)

Table 7

Taxpayer	Type of Business	2017			2008		
		Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Duke Energy	Public utility	\$ 123,282,070	1	0.62%	\$ 86,215,996	1	0.69%
Piedmont Electric Membership Public Service Co of NC INC.	Public utility	57,253,751	2	0.29%	43,808,416	5	0.35%
State Employees' Credit Union	Bank	50,065,533	3	0.25%			
Northwestern Mutual Life Insurance Co	Apartment rental	46,610,653	4	0.23%			
Madison University Mall LLC	Retail	38,849,493	5	0.19%			
East 54	Office/Retail	37,185,569	6	0.19%			
Sports Endeavor DBS Eurosport	Retail	35,239,900	7	0.18%			
Morinaga America Foods Inc.	Office/Retail	34,971,027	8	0.18%			
Europea Center LLC	Hotel	32,082,577	9	0.16%			
VAC Limited Partnership	Hotel	27,748,052	10	0.14%			
US CT LLC	Apartments rental				27,031,431	9	0.21%
Blue Cross and Blue Shield of N.C.	Property Owners Trust				63,012,940	2	0.50%
Bell South Telephone and Telegraph Co.	Health Insurance				50,139,647	3	0.40%
Corium LLC	Public Utility				37,664,994	4	0.30%
University Mall	Insurance provider				32,615,421	6	0.26%
Inland Southeast Meadwmt LLC	Rental				32,584,486	7	0.26%
Total	Real Estate				32,118,292	8	0.26%
		\$ 483,288,625		2.43%	\$ 427,769,555		3.40%

Source: Orange County Tax Assessor.

ORANGE COUNTY, NORTH CAROLINA

Table 8

Property Tax Levies and Collections  
Last Ten Fiscal Years  
(Unaudited)

Tax Year	Year Ended June 30	Current*		Current Years' Levy Collections	Percentage Collected	Prior Years' Levy Collections	Total Collections During Year	Percent of Total Collections to		Total		Percent of Delinquent Taxes to Adjusted Tax Levy
		Tax Levy	Adjusted Tax Levy					Adjusted Tax Levy	Delinquent Taxes	Outstanding Delinquent Taxes	Adjusted Tax Levy	
2007												
2008	2008	\$	119,467,330	\$	98.69%	\$	118,892,601	99.52%	\$	3,293,772	2.76%	
2009	2009		127,813,510		98.75%		127,498,279	99.75%		3,660,536	2.86%	
2010	2010		133,475,926		98.63%		133,182,906	99.78%		3,953,556	2.96%	
2011	2011		135,126,347		98.55%		134,770,153	99.74%		3,550,073	2.63%	
2012	2012		136,779,611		98.49%		135,873,089	99.34%		3,904,558	2.85%	
2013	2013		137,962,627		98.40%		137,235,475	99.47%		4,479,776	3.25%	
2014	2014		142,778,607		98.78%		143,059,346	**		4,199,037	2.94%	
2015	2015		145,238,432		99.08%		145,408,432	**		4,029,037	2.77%	
2016	2016		146,967,477		99.17%		147,057,631	**		3,938,883	2.68%	
<b>2016</b>	<b>2017</b>		<b>149,566,210</b>		<b>99.19%</b>		<b>149,513,234</b>	<b>**</b>		<b>3,991,858</b>	<b>2.67%</b>	

\*Tax levy includes special districts

\*\* This percent was calculated using the prior years levy receivable and the current year levy. Prior to 2013 the current year levy was the only levy used to calculate.

ORANGE COUNTY, NORTH CAROLINA

Table 9

Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government	Per Capita (1)	Percentage of Personal Income (1)
	General Obligation Bonds	Installment Loans	Capital Leases	State Revolving Loans	Bond Premium	Installment Loans			
2008	\$ 130,290,000	\$ 86,838,352	\$ 903,355	\$ -	(\$540,103)	\$ 5,419,895	\$ 1,147,582	1,759	4.11%
2009	121,415,000	113,038,877	2,382,346	-	(549,389)	8,634,353	1,442,894	1,879	4.12%
2010	112,520,000	109,163,100	2,049,520	-	1,150,617	8,147,895	1,004,725	1,768	3.78%
2011	103,490,000	109,732,854	3,200,000	-	1,490,486	7,661,455	1,024,821	1,694	3.61%
2012	95,520,000	114,393,535	2,486,176	-	15,685,846	10,175,318	606,855	1,724	3.61%
2013	86,205,000	105,697,170	1,746,233	2,099,099	16,583,769	9,429,225	325,128	1,605	3.11%
2014	77,150,000	120,189,844	-	1,663,703	15,318,561	8,724,908	-	1,597	3.04%
2015	68,355,000	122,631,057	-	2,679,597	14,118,757	9,980,805	-	1,538	2.88%
2016	59,280,000	118,995,610	-	2,533,957	9,995,850	9,799,916	-	1,416	2.56%
<b>2017</b>	<b>50,430,000</b>	<b>117,955,775</b>	-	<b>2,388,317</b>	<b>7,382,845</b>	<b>12,185,551</b>	-	<b>1,329</b>	<b>2.43%</b>

(1) See Table 1.3 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

ORANGE COUNTY, NORTH CAROLINA

Table 10

Ratios of Net General Debt Outstanding  
Last Ten Fiscal Years

Fiscal Year	General Bonded Debt Outstanding					Percentage of Personal Income (1)	Percentage of Actual Taxable Value of Property (2)	Per Capita (1)
	General Obligation Bonds	Installment Loans	State Revolving loan	Bond (Discount) Premium	Total			
2008	\$ 130,290,000	\$ 86,838,352.0	\$ -	\$ (540,103)	216,588,249	3.97%	1.72%	1,701
2009	121,415,000	113,038,877	-	(549,389)	233,904,488	3.91%	1.82%	1,784
2010	112,520,000	109,163,100	-	1,160,617	222,843,717	3.60%	1.43%	1,683
2011	103,490,000	109,732,854	-	1,490,486	214,713,340	3.43%	1.37%	1,605
2012	95,520,000	114,393,535	-	15,685,846	225,599,381	3.41%	1.42%	1,628
2013	86,205,000	105,697,170	2,099,099	16,583,769	210,585,038	2.95%	1.31%	1,522
2014	77,150,000	120,189,844	1,663,703	15,318,561	214,322,108	2.92%	1.29%	1,534
2015	68,355,000	122,631,057	2,679,597	14,118,757	207,784,411	2.75%	1.26%	1,467
2016	59,280,000	118,995,610	2,533,957	9,995,850	190,805,417	2.44%	1.14%	1,347
<b>2017</b>	<b>50,430,000</b>	<b>117,955,775</b>	<b>2,388,317</b>	<b>7,382,845</b>	<b>178,156,937</b>	<b>2.28%</b>	<b>1.05%</b>	<b>1,244</b>

\*Information not yet available.

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

(1) See Table 13 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

(2) See Table 5 for property value data.

**ORANGE COUNTY, NORTH CAROLINA**

Legal Debt Margin Information  
Last Ten Fiscal Years  
(Dollars in Thousands)

Table 11

	For Year Ended June 30									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Assessed value of property (not in thousands)	\$ 17,024,519,084	\$ 16,778,182,392	\$ 16,501,943,134	\$ 16,632,360,368	\$ 16,075,973,471	\$ 15,899,136,125	\$ 15,689,990,180	\$ 15,538,736,056	\$ 12,820,237,558	\$ 12,581,220,279
Debt limit, 8% of assessed value (statutory limitation)	1,361,962	1,342,255	1,320,155	1,330,589	1,286,078	1,271,931	1,255,199	1,243,099	1,025,619	1,006,498
Amount of debt applicable to limit:										
Gross debt	178,157	190,805	207,784	214,322	210,585	225,599	214,713	222,844	233,904	216,588
Less:										
Amount available for repayment of general obligation bonds	-	-	-	-	-	-	-	-	-	-
Debt outstanding for water and sewer purposes	-	-	-	-	-	-	-	-	-	-
Revenue bonds	-	-	-	-	-	-	-	-	-	-
Total net debt applicable to limit	178,157	190,805	207,784	214,322	210,585	225,599	214,713	222,844	233,904	216,588
Legal debt margin	\$ 1,183,805	\$ 1,151,449	\$ 1,112,371	\$ 1,116,267	\$ 1,075,493	\$ 1,046,332	\$ 1,040,486	\$ 1,020,255	\$ 791,715	\$ 789,909
Total net debt applicable to limit as a percentage of debt limit	13.08%	14.22%	15.74%	16.11%	16.37%	17.74%	17.11%	17.93%	22.81%	21.52%

Note: NC Statute 159-55 limits the County's outstanding debt to 8% of the appraised value of property subject to taxation. The following deductions are made from gross debt to arrive at net debt applicable to the limit; money held for payment of principal; debt incurred for water, sewer, gas, or electric power purposes; uncollected special assessments, funding and refunding bonds yet to be issued; and revenue bonds. The debt limit and the County's net debt outstanding applicable to the limit and represents the County's legal borrowing authority.

ORANGE COUNTY, NORTH CAROLINA

Table 12

Direct and Overlapping Governmental Activities Debt  
(Unaudited)  
As of June 30, 2017

Governmental Unit	Debt Outstanding	(2) Percentage Municipality in County	Estimated Share of Direct and Overlapping Debt
Municipalities:			
Town of Carrboro	\$ 20,405,044	100%	\$ 20,405,044
Town of Chapel Hill	31,741,000	100%	31,741,000
Town of Hillsborough	24,507,193	100%	24,507,193
City of Durham	358,460,159	3%	10,753,805
Town of Mebane	14,597,668	30%	4,379,300
Overlapping debt	449,711,064		91,786,342
Direct debt	178,157		178,157
Total direct and overlapping debt:	\$ 449,889,221		\$ 91,964,499

Source: (1) The Total Outstanding Debt (provided by the Finance Officers of above listed municipalities) is multiplied by the percentage of municipality residents in the County.

Source: (2) The percentage of overlapping is computed by dividing the population of Orange County residents in the municipality by the municipality total population.

**ORANGE COUNTY, NORTH CAROLINA**

Table 13

**Demographic and Economic Statistics  
Last Ten Fiscal Years  
(Unaudited)**

Year	Population (1)	Personal Income (2) (Thousands of Dollars)	Per Capita Personal Income (2)	Median Age	Public Schools Enrollment (3)	Unemployment Rate (4)	Number of Building Permits Performed (5)
2008	127,344	\$ 5,450,187	35,229	32.15	18,580	3.2%	1,965
2009	131,123	5,976,341	35,084	33.20	18,696	6.3%	1,573
2010	132,386	6,186,351	47,063	33.00	18,552	6.6%	1,215
2011	133,801	6,268,886	47,925	33.10	19,026	6.5%	1,962
2012	138,550	6,608,945	46,713	33.00	19,462	6.5%	1,640
2013	138,330	7,131,776	48,683	33.49	19,553	6.2%	1,769
2014	139,694	7,345,876	51,702	33.49	20,051	5.7%	1,791
2015	141,596	7,557,466	52,339	34.57	20,202	4.8%	1,852
2016	141,704	7,822,229	52,989	35.05	20,040	4.4%	3,026
2017	<b>143,264</b>	<b>7,822,229</b>	<b>54,600</b>	<b>35.05</b>	<b>19,959</b>	<b>4.6%</b>	<b>1,793</b>

Notes:

- (1) N.C. State Data Center. Estimates are as of beginning of fiscal year.
- (2) Bureau of Economic Analysis, U.S. Department of Commerce. Figures are for the prior calendar year. 2017 personal income not available, prior year figures are repeated.
- (3) N.C. Department of Public Instruction, First Month Average Daily Membership.
- (4) N.C. Employment Security Commission, Annual Average for prior calendar year.
- (5) Total number of building permits issued by Orange County Inspections Department.  
Includes inspections by municipalities.

**Principal Employers  
Current Year and Nine Years Ago  
(Unaudited)**

Employer	2017			2008		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
UNC-Health Care	13,175	1	18.24%	7,644	2	11.29%
UNC Chapel Hill	12,411	2	17.18%	17,243	1	25.47%
Chapel Hill-Carrboro City Schools	2,043	3	2.83%	2,311	3	3.41%
Orange County Schools	1,311	4	1.82%	131	5	0.19%
Orange County Government	1,115	5	1.54%	970	6	1.43%
Town of Chapel Hill	903	6	1.25%	884	7	1.31%
General Electric	521	7	0.72%	501	10	0.74%
UNC Physicians Network LLC	475	8	0.66%			
Sports Endeavors INC. DBA Eurosport	416	9	0.58%			
Aramark Services	379	10	0.52%			
Blue Cross Blue Shield				1,596	4	2.36%
HRR Prime LLC				662	8	0.98%
Harris Teeter, Inc.				543	9	0.80%

Source: Orange County Economic Development Commission, Employment Security Commission

**ORANGE COUNTY, NORTH CAROLINA**

Table 15

**Full-Time Equivalent County Government Employees by Function  
Last Ten Fiscal Years  
(Unaudited)**

Function/Program	For Year Ended June 30									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Government and management	-	-	101.75	96.15	91.95	94.40	91.55	109.80	74.20	58.00
General services	-	-	86.03	78.50	61.10	62.90	60.15	84.80	123.40	101.00
Community and environment	-	-	95.20	89.40	92.50	84.70	90.90	87.60	55.55	55.00
Human services	-	-	297.86	312.48	293.43	308.10	304.50	325.40	318.60	287.00
Public safety	-	-	265.28	262.90	263.68	246.80	241.20	227.20	223.40	214.80
Cultural and recreational	-	-	29.53	33.00	35.15	28.43	29.83	24.03	49.25	31.60
Solid Waste Enterprise	-	-	62.28	60.25	58.20	57.25	53.10	51.40	44.40	55.00
Community Services	145.00	132.80	-	-	-	-	-	-	-	-
General Government	98.83	100.43	-	-	-	-	-	-	-	-
Human Services	356.23	341.76	-	-	-	-	-	-	-	-
Support Services	77.10	74.30	-	-	-	-	-	-	-	-
Public Safety	285.98	269.58	-	-	-	-	-	-	-	-
Solid Waste	65.85	62.65	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1,028.99</b>	<b>981.52</b>	<b>937.93</b>	<b>932.68</b>	<b>896.01</b>	<b>882.58</b>	<b>871.23</b>	<b>910.23</b>	<b>888.80</b>	<b>802.40</b>

Source: County Finance and Administrative Services Department

Note: Orange County changed to Functional Leadership Teams in fiscal year 2015-16; the 2016 numbers are reflected of this organizational change. This table represents number of persons employed as of June 30 of each year. Vacant positions are not included in the above numbers. Full-time personnel work 2,080 hours per year (less vacation and sick leave). For purposes of this table the number of part-time employees has been divided by 2.5 to arrive at the full-time equivalents.

**ORANGE COUNTY, NORTH CAROLINA**

**Table 16**

**Operating Indicators by Function  
Last Ten Fiscal Years  
(Unaudited)**

Function/Program	For Year Ended June 30									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Governing and Management:</b>										
Number of animals sheltered	4,470	4,504	4,037	3,750	3,419	3,495	3,258	3,246	3,162	<b>2,934</b>
Number of rabies investigations	210	149	243	140	108	101	186	232	86	<b>72</b>
Employment applications received	2,015	3,650	1,979	3,000	3,347	9,256	7,980	6,703	8,891	<b>7,519</b>
<b>General Services:</b>										
Incoming Calls to Technology Help Desk	3,733	4,447	4,561	6,409	7,879	9,086	11,020	11,825	12,416	<b>10,696</b>
Real Estate documents processed	28,744	22,975	23,875	23,804	22,901	25,904	19,672	19,214	19,969	<b>20,558</b>
Vital records recorded and issued	15,223	18,081	18,454	18,321	18,188	18,308	17,988	18,909	20,297	<b>22,164</b>
<b>Community and Environment:</b>										
Building permits issued	891	824	667	658	661	635	666	815	890	<b>891</b>
Building, plumbing, mechanical, and electrical inspections completed	17,000	13,545	12,125	15,400	13,092	10,648	10,688	14,900	17,000	<b>16,616</b>
<b>Human Services:</b>										
Households receiving food stamps	3,230	3,430	3,785	5,403	6,234	6,504	6,634	N/A	N/A	<b>N/A</b>
Individuals receiving food stamps	N/A	N/A	N/A	N/A	N/A	N/A	N/A	11,793	10,640	<b>11,492</b>
Number of Medicaid cases	6,424	6,820	6,952	7,089	9,532	10,028	13,575	12,960	12,496	<b>12,867</b>
Number of families receiving daycare subsidy	330	600	655	560	715	741	700	685	710	<b>750</b>
Total number of dental patient visits	3,495	4,165	3,945	2,277	3,605	4,747	5,279	6,131	6,949	<b>6,924</b>
Family planning clients served	1,150	1,045	1,189	1,431	1,004	1,104	1,317	1,812	1,032	<b>1,026</b>
<b>Public Safety:</b>										
Requests for EMS service	11,463	10,945	10,988	11,655	13,287	13,132	12,554	13,810	16,607	<b>16,908</b>
Number of fire inspections	270	87	90	300	279	272	379	400	308	<b>366</b>
Average number of non-federal inmates per month	170	175	175	170	180	180	170	173	76	<b>76</b>
<b>Culture and Recreation:</b>										
Library materials circulated at Orange County Library	180,000	209,023	271,066	337,010	405,282	444,261	422,265	442,367	450,372	<b>427,632</b>
Number of reference volumes at Orange County Library	2,493	2,300	3,766	2,555	2,600	3,161	2,697	2,240	2,897	<b>2,672</b>
<b>Education:</b>										
Average daily membership (NCDPI Planning #'s)	18,530	18,898	18,696	18,990	19,549	19,757	20,051	20,202	20,040	<b>19,959</b>
County current expense appropriation per pupil (\$)	2,957	3,200	3,096	3,096	3,102	3,167	3,269	3,571	3,698	<b>3,868</b>

N/A - Information was not available  
Source: Orange County Finance and Administrative Services Department

**Capital Asset Statistics by Function  
Last Nine Fiscal Years  
(Unaudited)**

Function/Program	For Year Ended June 30								
	2009	2010	2011	2012	2013	2014	2015	2016	2017
Human Services:									
Public health occupied square footage	18,400	18,400	18,400	33,638	33,638	30,027	31,433	31,433	<b>31,433</b>
Social services occupied square footage	24,584	27,595	60,181	59,825	59,825	55,430	55,437	55,437	<b>55,437</b>
Cooperative extension occupied square footage	4,986	4,986	4,986	4,986	4,986	4,968	5,198	5,198	<b>5,198</b>
Number of centers	13	13	13	13	13	13	14	15	<b>15</b>
Public Safety:									
Number of law enforcement vehicles	111	125	129	137	141	153	146	143	<b>143</b>
Number of emergency services vehicles	38	38	33	28	31	32	34	34	<b>34</b>
Number of animal control vehicles	8	8	8	6	6	6	6	6	<b>6</b>
Detention capacity	129	129	129	129	129	129	129	129	<b>129</b>
Cultural and Recreational:									
Libraries - branches	4	5	3	3	3	3	3	3	<b>3</b>
Volume of library books	278,488	271,066	195,282	113,978	100,843	103,259	111,421	114,580	<b>114,580</b>
Education:									
Number of schools	29	29	29	29	29	30	30	30	<b>30</b>

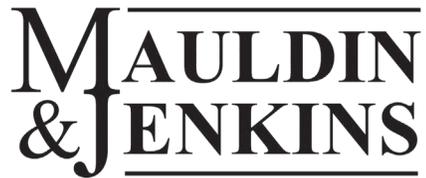
Information for the year ended June 30, 2007 was not available.

Source: Orange County Finance and Administrative Services Department



## COMPLIANCE SECTION

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**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***

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**To the Board of Commissioners  
Orange County, North Carolina**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Orange County, North Carolina (the "County") as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 12, 2017. Our report includes a reference to other auditors who audited the financial statements of the Orange County ABC Board, as described in our report on the County's financial statements. The financial statements of the Orange County ABC Board were not audited in accordance with *Government Auditing Standards*. Our report also includes a reference to the change in accounting principle resulting from the implementation of Governmental Accounting Standards Board Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* and Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, as of July 1, 2016.

**Internal Control over Financial Reporting**

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

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

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, as items 2017-001 and 2017-002, that we consider to be material weaknesses.

#### **Compliance and Other Matters**

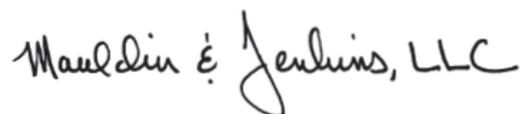
As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### **Orange County, North Carolina's Responses to Findings**

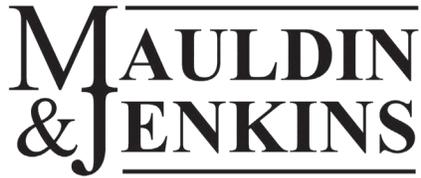
The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on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

#### **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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Atlanta, Georgia  
December 12, 2017



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT**

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**To the Board of Commissioners  
Orange County, North Carolina**

**Report on Compliance for Each Major Federal Program**

We have audited Orange County, North Carolina's (the "County") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2017. 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") and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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### ***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, 2017.

### **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 a 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 have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2017-003, that we consider to be a significant deficiency.

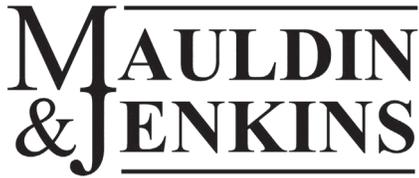
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The County's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in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

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.

*Mauldin & Jenkins, LLC*

Atlanta, Georgia  
December 12, 2017



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM  
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH  
APPLICABLE SECTIONS OF THE UNIFORM GUIDANCE AND THE STATE SINGLE AUDIT  
IMPLEMENTATION ACT**

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**To the Board of Commissioners  
Orange County, North Carolina**

**Report on Compliance for Each Major State Program**

We have audited Orange County, North Carolina's (the "County") compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the County's major state programs for the year ended June 30, 2017. The County's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the County's major state 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 applicable sections of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

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***Opinion on Each Major State 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 state programs for the year ended June 30, 2017.

**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 a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state 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 state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a 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 state 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 combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state 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 have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2017-003 that we consider to be a significant deficiency.

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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.

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.

*Mauldin & Jenkins, LLC*

Atlanta, Georgia  
December 12, 2017

**ORANGE COUNTY, NORTH CAROLINA**

**SCHEDULE OF EXPENDITURE OF FEDERAL AND STATE AWARDS  
YEAR ENDED JUNE 30, 2017**

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Agency or Pass- through Grantor Number	Expenditures			Payments To Subrecipients All
			Federal	State	Local	
<b>FEDERAL AWARDS</b>						
<b>U.S. Department of Agriculture:</b>						
Direct Program						
Soil and Water Conservation	10.902		\$ 57,204	\$ -	\$ -	\$ -
Passed through North Carolina Department of Health and Human Services:						
Special Supplemental Nutrition Program for Women, Infants, & Children (WIC)	10.557		986,221	-	-	-
Supplemental Nutrition Assistance Program:						
SNAP Administration	10.561		1,325,455	-	1,325,455	-
SNAP Fraud Administration	10.561		33,732	-	33,732	-
SNAP E&T and Dependent Care	10.561		60,729	-	60,729	-
SNAP E&T	10.561		447,205	-	-	-
Supplemental Nutrition Assistance Program Cluster:			1,867,121	-	1,419,916	-
<b>Total U.S. Department of Agriculture</b>			<b>2,910,546</b>	<b>-</b>	<b>1,419,916</b>	<b>-</b>
<b>U.S. Department of Housing and Urban Development:</b>						
Passed through North Carolina Office of Fair Housing and Equal Opportunity:						
Cooperative Fair Housing Assistance Program	14.401		36,234	-	146,694	-
Passed through North Carolina Office of Community Planning and Development						
Lower Income Housing Assistance:						
Home Investment Partnership Program	14.239		356,378	-	175,604	-
Emergency Solutions Grant Program	14.231		36,335	-	-	-
Passed through Office of Public and Indian Housing:						
Single Family Housing Rehabilitation Grant	14.862		9,381	-	-	-
Housing Voucher Cluster:						
Section 8 Housing Choice Vouchers	14.871		4,399,286	-	135,942	-
Total Housing Voucher Cluster			4,399,286	-	135,942	-
<b>Total U.S. Department of Housing and Urban Development</b>			<b>4,837,614</b>	<b>-</b>	<b>458,240</b>	<b>-</b>
<b>U.S. Department of Justice:</b>						
Passed through North Carolina Department of Commerce						
Workforce Innovation and Opportunity Act - Youth Activities Cluster	17.259		228,089	-	-	-
<b>Total U.S. Department of Justice</b>			<b>228,089</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>U.S. Department of Transportation:</b>						
Rural Capital Program						
Rural Capital Program	20.509		217,115	114,044	-	-
State and Community Highway Safety Cluster						
State and Community Highway Safety Cluster	20.600		11,853	-	-	-
<b>Total U.S. Department of Transportation</b>			<b>228,968</b>	<b>114,044</b>	<b>-</b>	<b>-</b>
<b>Institute of Museum and Library Services</b>						
Grants to States						
Grants to States	45.310		68,636	-	-	-
<b>Total Institute of Museum and Library Services</b>			<b>68,636</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>U.S. Department of Health and Human Services</b>						
Passed through North Carolina Department of Health and Human Services						
Prevention and Health Promotion Services						
Prevention and Health Promotion Services	93.043		7,530	443	-	-
National Family Caregiver Support, Title III, Part E	93.052		42,819	2,733	-	-
Aging Cluster:						
Nutrition Services Incentive Program	93.053		19,049	-	-	-
HCCBG - Access	93.044		179,000	10,539	-	-
HCCBG - In Home Support	93.044		195,760	11,525	-	-
Special Program for the Aging - Title III, Part C	93.045		140,984	8,300	-	-
Total Aging Cluster			534,793	30,364	-	-
Child Care Development Cluster:						
Child Care Development Fund - Administration	93.596		209,999	-	-	-
Child Care and Development Fund - Discretionary	93.575		1,267,053	-	-	-
Child Care and Development Fund - Mandatory	93.596		449,600	-	-	-
Child Care and Development Fund - Match	93.596		766,988	409,746	-	-
Total Child Care Development Cluster			2,693,640	409,746	-	-
Temporary Assistance for Needy Families:						
Temporary Assistance for Needy Families (TANF)						
TANF - Work First Administration	93.558		563,890	-	-	-
TANF - Work First Service	93.558		207,567	-	289,207	-
TANF - Payments and Penalties	93.558		918,413	-	936,658	-
TANF - Payments and Penalties	93.558		252,901	-	235	-
Temporary Assistance for Needy Families - Special Children Adoption	93.558		50,400	-	-	-
Total Temporary Assistance for Needy Families Cluster			1,993,171	-	1,226,100	-
Foster Care Program:						
Foster Care Title IV-E						
IV-E CPS	93.658		27,490	13,836	-	-
IV-E Foster Care Trn	93.658		144,728	108,366	36,362	-
IV-E Foster Care/ Off Trn	93.658		11,765	-	3,922	-
IV-E Admin County Paid to CCI	93.658		482,878	-	482,878	-
IV-E Family Foster Max	93.658		5,937	2,968	-	-
IV-E Foster Care	93.658		3,634	-	1,819	-
IV-E Foster Care in Excess	93.658		229,030	-	12,728	-
IV-E Foster Care & Extend Reg	93.658		47,126	11,724	11,724	-
IV-E Medicaid Maximization	93.658		119,890	29,889	29,890	-
IV-E Max Level III	93.658		879,422	-	-	-
Total Foster Care			1,949,063	166,783	582,291	-
Adoption Program:						
IV-E Adoption						
IV-E Adoption Training	93.659		449	-	2	-
IV-E Adoption /Off Trn	93.659		1,103	-	368	-
IV-E Optional Adoption Trn 5	93.659		56,717	-	56,721	-
IV-E Adopt Subsidy & Vendor	93.659		6,470	-	6,470	-
Total Adoption			740,290	184,935	197,136	-
			805,029	184,935	260,697	-

*Continued*

ORANGE COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURE OF FEDERAL AND STATE AWARDS  
YEAR ENDED JUNE 30, 2017

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Agency or Pass- through Grantor Number	Expenditures			Payments To Subrecipients All
			Federal	State	Local	
<b>FEDERAL AWARDS (Continued)</b>						
Medicaid:						
Adult Care Home Case Management	93.778		60,743	17,718	43,025	-
State County Special Assistance	93.778		32,253	-	10,782	-
Medical Assistance - Administration	93.778		2,036,194	-	679,795	-
Medical Transportation Services	93.778		300	-	300	-
MAC	93.778		70,936	-	70,936	-
Medical Assistance Program - Direct Benefit Payments	93.778		69,392,163	36,591,732	-	-
Total Medicaid Cluster			71,592,589	36,609,450	804,838	-
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements (Ebola)	93.074		63,325	-	3,360	-
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116		50	-	-	-
Injury Prevention and Control Research and State and Community Based Programs	93.136		1,325	-	-	-
Immunization Grants	93.268		10,087	-	88,571	-
PPHF Capacity Building Assistance to Strengthen Public Health Immunization	93.539		14,283	-	-	-
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations financed in part by Prevention and Public Health Funds	93.752		8,203	-	-	-
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758		26,708	-	81,088	-
HIV Prevention Activities-Health Department Based	93.940		33,315	-	-	-
Preventive Health Services-Sexually Transmitted Diseases Control Grants	93.977		988	-	60,615	-
Refuge Health	93.576		4,902	-	38,449	-
Maternal and Child Health Services Block Grant	93.994		102,562	78,181	60,636	-
Family Planning	93.217		55,435	-	96,465	-
Social Services Block Grant:						
Social Services Block Grant	93.667		432,203	27,475	123,236	-
Social Services Block Grant - In Home Services	93.667		94,171	-	13,453	-
Social Services Block Grant - In Home Services over 60	93.667		36,862	-	5,266	-
Social Services Block Grant - Adult Daycare	93.667		204	817	146	-
Social Services Block Grant - Adult Daycare over 60	93.667		601	550	164	-
Total Social Services Block Grant			564,041	28,842	142,265	-
Refugee and Entrant Assistance Program:						
Refugee Assistance Admin	93.566		1,600	-	-	-
Refugee Assistance Payment	93.566		18,070	-	-	-
Total Refugee and Entrant Assistance Grant			19,670	-	-	-
Family Preservation	93.556		30,896	-	-	-
Low-Income Home Energy Assistance Program:						
Crisis Intervention Payments	93.568		283,949	-	-	-
Low Income Energy Administration	93.568		56,732	-	-	-
Low Income Energy Assistance	93.568		264,800	-	-	-
Total Low-Income Home Energy Assistance Grant			605,481	-	-	-
Permanency Planning - Service & Admin	93.645		25,513	-	8,504	-
Independent Living Program:						
Independent Living - LINKS	93.674		4,060	-	-	-
Links	93.674		9,556	2,389	-	-
Total Independent Living Grant			13,616	2,389	-	-
Child Support Enforcement Program:						
IV-D Administration	93.563		1,461,160	-	752,719	-
IV-D Offset Fees - Esc	93.563		56	3	26	-
IV-D Offset Fees - Federal	93.563		1,770	-	912	-
Total Child Support Enforcement Grant			1,462,986	3	753,657	-
Children's Health Insurance Program (CHIP):						
North Carolina Health Choice	93.767		138,287	65	178	-
Children's Health Insurance Program	93.767		2,300,711	7,314	-	-
Total Child Support Enforcement Grant			2,438,998	7,379	178	-
AFDC Payments and Penalties	93.560		(156)	(43)	(43)	-
<b>Total U.S. Department of Health and Human Services</b>			<b>85,100,862</b>	<b>37,521,205</b>	<b>4,207,671</b>	<b>-</b>
<b>U.S. Department of Homeland Security:</b>						
Passed through North Carolina Department of Crime Control and Public Safety Emergency Management Preparedness Grant	97.042		28,783	-	-	-
Disaster Grants - Public Assistance	97.036		9,441	-	-	-
<b>Total U.S. Department of Homeland Security</b>			<b>38,224</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>U.S. Department of Treasury:</b>						
Volunteer Income Tax Assistance (VITA) Matching Grant	21.009		5,630	-	187,840	-
<b>Total U.S. Department of Homeland Security</b>			<b>5,630</b>	<b>-</b>	<b>187,840</b>	<b>-</b>
<b>TOTAL FEDERAL AWARDS</b>			<b>93,418,569</b>	<b>37,635,249</b>	<b>6,273,667</b>	<b>-</b>

Continued

ORANGE COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURE OF FEDERAL AND STATE AWARDS  
YEAR ENDED JUNE 30, 2017

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Agency or Pass- through Grantor Number	Expenditures			Payments To Subrecipients All
			Federal	State	Local	
<b>STATE AWARDS</b>						
<b>North Carolina Department of Health and Human Services:</b>						
<u>Division of Social Services:</u>						
CWS Adopt Subsidy & Vendor			-	245,830	81,258	-
F/C At Risk Maximization			-	9,720	4,878	-
Extended Foster Care Maximization			-	8,794	-	-
State/County Special Assistance Domiciliary Care Pmt			-	604,668	569,032	-
State Child Welfare/CPS/CS LD			-	169,674	-	-
SFHS Maximization			-	18,097	18,907	-
State Foster Home			-	67,478	67,478	-
SA/SAD HB 1030			-	33,558	27,540	-
DCD Smart Start			-	38,721	-	-
State Appropriations			-	683,245	-	-
TANF-MOE			-	745,587	-	-
Total Division of Social Services			-	2,625,372	769,093	-
<u>Division of Child Health:</u>						
Smart Start			-	56,310	15,956	-
Total Division of Child Health			-	56,310	15,956	-
<u>Division of Public Health:</u>						
General Aid to Counties			-	324,929	-	-
General Communicable Disease Control			-	3,708	180,205	-
Food and Lodging Fees			-	34,960	-	-
Public Health Nursing			-	1,200	-	-
Breast and Cervical Cancer Program			-	5,865	-	-
Women's Health Service Fund			-	4,115	-	-
Child Health			-	1,815	-	-
Maternal Health (HMHC)			-	4,413	-	-
Sexually Transmitted Diseases			-	2,744	-	-
TPPI - AP2 - Teen Parenting			-	50,000	200,000	-
Tuberculosis			-	12,995	-	-
Tuberculosis Medical Service			-	1,776	-	-
HMHC-Family Planning			-	7,597	42,708	-
Total Division of Public Health			-	456,117	422,913	-
Total North Carolina Department of Health and Human Services			-	3,137,799	1,207,962	-
<b>North Carolina Department of Transportation:</b>						
<u>Rural Operating Assistance Program</u>						
Elderly and Disabled Transportation Assistance Program			-	83,466	-	-
ROAD Employment/Work First			-	30,946	-	-
Rural General Public Program			-	71,537	-	-
Total Rural Operating Assistance Program			-	185,949	-	-
<u>Highway Construction Program</u>						
Orange Sec Paved - NC 86 and US 15-501			-	10,184	-	-
Total Highway Construction Program			-	10,184	-	-
Total North Carolina Department of Transportation			-	196,133	-	-
<b>North Carolina Department of Cultural Resources:</b>						
State Arts Grant			-	39,230	108,559	-
Stat Historic Preservation Office Historic Resources Grant (CLG)			-	3,000	-	-
<u>Division of State Library:</u>						
Passed-Through Hyconeechee Regional Library:			-	-	-	-
State Aid to Public Libraries			-	104,512	1,984,085	-
Total North Carolina Department of Cultural Resources			-	146,742	2,092,644	-
<b>North Carolina Department of Public Safety</b>						
Criminal Justice Partnership			-	283,694	71,352	-
Total North Carolina Department of Public Safety			-	283,694	71,352	-
<b>North Carolina Department of Public Instruction:</b>						
Public School Capital Building Fund - Lottery Proceeds			-	1,351,438	-	1,351,438
Total North Carolina Department of Public Instruction			-	1,351,438	-	1,351,438
<b>North Carolina Department of Insurance</b>						
SHIIP Funds			-	8,925	-	-
Total North Carolina Department of Insurance			-	8,925	-	-
<b>North Carolina Housing Finance Agency</b>						
Single Family Housing Rehabilitation			-	9,381	-	-
Total North Carolina Housing Finance Agency			-	9,381	-	-
<b>TOTAL STATE AWARDS</b>			-	5,134,112	3,371,958	1,351,438
<b>TOTAL FEDERAL AND STATE AWARDS</b>			\$ 93,418,569	\$ 42,769,361	\$ 9,645,625	\$ 1,351,438

# ORANGE COUNTY, NORTH CAROLINA

## NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2017

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### **NOTE 1. BASIS OF PRESENTATION AND ACCOUNTING**

The accompanying Schedule of Expenditures of Federal and State Awards is presented using the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are recognized when the related Fund liability is incurred.

Federal grant programs which are administered through State agencies (pass-through awards) have been included in this report, including any funds expended for the State funded portion of those same programs.

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 and the State Single Audit Implementation Act, therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

The County elected not to utilize the 10% de minimis indirect cost rate.

**ORANGE COUNTY, NORTH CAROLINA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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**SECTION I  
SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: 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 weaknesses identified:  yes  no

Significant deficiencies identified:  yes  none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?  yes  no

Identification of major programs:

CFDA Number(s)  
93.778  
93.563

Name of Federal Program or Cluster  
Medicaid Cluster  
Child Support Enforcement

Dollar threshold used to distinguish between type A and type B programs: \$2,802,557

Auditee qualified as low-risk auditee? No

**ORANGE COUNTY, NORTH CAROLINA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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**SECTION I  
SUMMARY OF AUDITOR'S RESULTS (CONTINUED)**

**State Awards**

Internal control over major state programs:

Material weaknesses identified:  yes  no

Significant deficiencies identified:  yes  none reported

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

Any audit findings disclosed that are require to be reported  
In accordance with the State Single Audit Implementation Act?  yes  no

Identification of major state program:

Program Name \_\_\_\_\_

State/County Special Assistance Domiciliary Care Pmt

# ORANGE COUNTY, NORTH CAROLINA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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### SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES

#### 2017-001 Expenditure/Expense Recognition (Repeat Finding)

**Criteria:** Generally, expenditures/expenses should be recognized as soon as a liability is incurred, regardless of the timing of the related cash flows in accordance with generally accepted accounting principles.

**Condition:** Misstatements were detected in the reporting of the County's expenditures/expenses and the related balance sheet accounts.

**Context/Cause:** During our testing, audit adjustments were required to properly report the County's expenditures/expenses and related balance sheet accounts. The nature of these adjustments is as follows:

- During our testing of the activity within the vehicle replacement fund, we noted the current year charges to the receiving funds were not sufficient to cover the costs for the year; as a result an adjustment of approximately \$299,000 was required to appropriately charge the operating costs to the General Fund, which is the main user of the internal service fund.
- During our testing of subsequent disbursements we identified expenses which were incurred as of June 30, 2017 but were not remitted until subsequent to the fiscal year end. The expenses of the Solid Waste Landfill Fund were understated by approximately \$64,000.
- During our testing of the Solid Waste Landfill Fund's accrued expenditures as of June 30, 2017 we noted the liabilities were overstated by approximately \$180,000 due to prior year accruals which were disbursed in the current year and expensed, thus leaving liabilities and expenses overstated. An adjustment was recorded to reduce both the liability and the expense.
- During our testing of activity within the Impact Fee Fund, we identified approximately \$1,093,000 of impact fee charges which were deemed invalid by the State of North Carolina for the fiscal year and therefore the liability was reported and the current year revenues were reduced.
- During testing of the accrued interest payable in the SportsPlex Fund, we noted the interest expense and accrued interest payable at June 30, 2017 was understated by approximately \$25,000. An adjustment was required to accrue the full interest payable on the SportsPlex long-term liabilities.
- During testing of the County's closure and post-closure liability in the Solid Waste Landfill Fund, we noted the County was not reducing the liability for current year monitoring costs, but was reporting those costs as additional expenses, thus including those expenses in the estimated liabilities reported in prior years and in the annual post-closure cost expense in the Fund's operating expenses. As such an adjustment of approximately \$158,000 was required to adjust the year-end liability and the current year expenses.
- During our testing of the County's capital assets, we noted the Solid Waste Landfill Fund was reporting proceeds for the sale of a tract of land during the fiscal year, however, was not reporting the proceeds from the sale, net of the book value of the land. The land was reported as an adjustment to the equity of the fund as opposed to reporting the loss of value against the proceeds to reflect only the gain in the statement of activities. An adjustment of approximately \$618,000 was required to report the net book value of the disposal in the current year expenses, or in this case, against the proceeds.

# ORANGE COUNTY, NORTH CAROLINA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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### SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

#### 2017-001 Expenditure/Expense Recognition (Repeat Finding) (Continued)

- During testing of the County's accrued closure and post-closure liabilities for the Solid Waste Landfill Fund, the liability for the construction and debris landfill was noted to be recorded at the full estimated liability. In accordance with GASB Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*, the liability should be accrued, annually, during the life of the landfill at a rate consistent with the consumption of the available capacity. An adjustment of approximately \$1,179,000 was required to reduce the liability as of June 30, 2016.

**Effects:** Audit adjustments totaling approximately \$3,616,000 were needed to correct the County's expenditures/expenses and related balance sheet accounts.

**Recommendation:** We recommend the County ensure all expenditures/expenses are properly reported in accordance with generally accepted accounting principles.

**Auditee's Response:** We concur with the finding and are currently implementing controls to ensure these year-end adjustments are considered and reflected in the general ledger, as appropriate.

# ORANGE COUNTY, NORTH CAROLINA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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### SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

#### 2017-002 Receivable recognition

**Criteria:** Internal controls should be in place to ensure that amounts reported as receivables and revenues are appropriate and properly valued in accordance with generally accepted accounting principles.

**Condition:** Material misstatements were detected in the reporting of the County's receivables and related revenues.

**Context/Cause:** During our testing of the County's accounts receivable and the related revenues, adjustments were required to properly report the balances, as follows:

- Related to the Solid Waste Landfill Fund's fees, management identified outstanding fee receivable balances which were being billed annually along with the property tax bills, but the related receivables were not reported on the general ledger. Total receivables as of June 30, 2017 were understated by approximately \$257,000, with approximately \$239,000 of the balance being related to receivables billed and uncollected as of June 30, 2016.
- The County's newly created OPEB Trust Fund's assets were understated, as the assets were being reported at cost and were not adjusted for the changes in market value. Revenues and the associated assets were understated by approximately \$10,000.

**Effects:** Audit adjustments of approximately \$267,000 were needed to correctly report the revenues and related balance sheet accounts, including approximately \$239,000 to opening net position of the Solid Waste Landfill Fund.

**Recommendation:** We recommend the County carefully review all receivables and the related revenues to ensure they are reported in the proper reporting period and in accordance with generally accepted accounting principles.

**Auditee's Response:** We concur with the finding. We will take necessary steps in the future to ensure revenues and the related balance sheet accounts are properly recorded.

# ORANGE COUNTY, NORTH CAROLINA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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### SECTION III FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

**2017-003**      **Enterprise Program Integrity Control System (EPICS) – Special Test**

**Department of Health and Human Services**

Passed Through North Carolina Department of Health and Human Services

CFDA #: 93.778 – Medical Assistance Program, 93.767 – Children’s Health Insurance Program, 93.674 – Chafee Foster Care Independence Program, 93.667 – Social Services Block Grant, 93.659 – Adoption Assistance, 93.658 – Foster Care Title IV-E, 93.645 – Stephanie Tubbs Jones Child Welfare Services Program, 93.596 – Child Care Mandatory and Matching Funds of the Child Care and Development Fund, 93.566 – Refugee and Entrant Assistance, 93.563 – Child Support Enforcement, 93.558 – Temporary Assistance for Needy Families, and 93.556 – Promoting Safe and Stable Families

**Department of Agriculture**

Passed Through North Carolina Department of Health and Human Services

CFDA #: 10.561 – State Administrative Matching Grants for the Supplemental Nutrition Assistance Program

**Criteria:** In accordance with the State Compliance Supplement, the County is required to maintain adequate case documentation to substantiate the claim entry into EPICS in order to support the claims for overpayments of federally funded benefits.

**Condition:** During our testing of the County’s internal controls in place to ensure all the required case documentation was included, and verified, the County requires a sign-off in the case file by the respective case worker.

**Context/Cause:** During our testing, we identified six (6) of the sixty (60) cases selected for testing did not include documented approval from the case worker that all the required documentation was obtained and verified in order to support the overpayment claim entered into EPICS.

**Effects:** By not obtaining the required documented approval, the selected cases were in violation of the County’s internal control structure. However, during our testing, we noted the required file documentation was included and the breakdown relates to the internal controls and not to the compliance requirements.

**Questioned Costs:** None noted.

**Recommendation:** We recommend the County periodically monitor the case files to ensure all required documentation is included and approved by the respective case workers.

**Auditee’s Response:** We concur with the finding. We will make sure all case workers understand the importance and significance of the approval process and will work to make sure these errors do not happen in future fiscal years.

# ORANGE COUNTY, NORTH CAROLINA

## SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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### 2016-001 Expenditure Recognition

**Condition:** Misstatements were detected in the reporting of the County's expenditures/expenses and the related balance sheet accounts.

**Context:** During our testing, audit adjustments of approximately \$6,354,000 were required to properly report the County's expenditures/expenses and related balance sheet accounts.

**Current Status:** Repeat finding in 2017, see 2017-001.

### 2016-002 Equity Reconciliation

**Condition:** Internal controls were not sufficient to detect misstatements in the reporting of the opening net position balances of the County's Solid Waste Landfill Fund.

**Context:** During our testing, an audit adjustment was required to adjust the opening net position of the Solid Waste Landfill Fund. The entry included adjusting balances incorrectly coded to equity during the current year, as well as to record audit entries from the prior year which were not posted to the County's general ledger.

**Current Status:** The issue was corrected in the current year.

### 2016-003 Capital Asset Reporting

**Condition:** Material misstatements were detected in the reporting of the current year additions to the County's capital asset balances.

**Context:** During our testing of the County's capital assets, we noted adjustments of approximately \$4,140,000 were required to correct the reporting of the County's capital assets.

**Current Status:** The issue was corrected in the current year.

# ORANGE COUNTY, NORTH CAROLINA

## SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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### 2016-004 Segregation of Duties

**Condition:** The limited number of employees and the resulting overlapping of duties causes segregation of duties to be difficult.

**Context:** During the course of our test work, we noted several areas where the County's internal control policies could be strengthened.

**Current Status:** The County has segregated the duties identified where possible, and has implemented compensating controls where segregation was not possible.

### 2016-005 Schedule of Expenditures of Federal and State Awards

**Condition:** Internal controls were not in place to support or reconcile the expenditures reported on the schedule of expenditures of federal and state awards to the County's underlying accounting records. The County prepares the schedule of expenditures of federal and state awards based on revenues received from the State for state and pass-through federal funds, but was initially not able to reconcile the schedule to the underlying accounting records.

**Context:** During the preparation of the schedule of expenditures of federal and state awards, it was noted the County was preparing the report based on revenues, rather than expenditures. The majority of the County's federal and state awards are related to health and human service grant activity, which is maintained outside of the County's finance department. As such, the County did not have procedures in place to permit for the reconciliation of the schedule of expenditures of federal and state awards to be reconciled to the underlying expenditures of the County.

**Current Status:** The finding was corrected in the current year.

# ORANGE COUNTY, NORTH CAROLINA

## SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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### 2016-006      **Monitoring Controls over 1571 Reporting**

**Condition:** Sound internal controls require that all financial and performance reports be reviewed in detail by a knowledgeable person independent of the preparation process to ensure the accuracy and the completeness of the reports. This review should include both the verification and validation of the information included within the report, but also the accuracy of the information within the report. The reviewer should be able to verify the source information to the supporting subledger information to ensure the valuation of the information included in the reports, the accuracy of the data, and the completeness of the information.

**Condition:** During our testing of the preparation of the monthly 1571 report as required by the North Carolina Department of Health and Human Services we noted the County does not have sufficient controls in place to perform the necessary monitoring reviews and relies on the person preparing the report to properly identify, summarize, and prepare the reports.

**Current Status:** This was resolved in the current year.

# ORANGE COUNTY, NORTH CAROLINA

## MANAGEMENT'S CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2017

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### 2017-001 Expenditure Recognition

**Contact Person Responsible for the Corrective Action Plan:** Gary Donaldson, Chief Financial Officer

**Corrective Action Plan:** We are currently implementing controls to ensure these year-end adjustments are considered and reflected in the general ledger, as appropriate.

- Management is reviewing measures to address the vehicle replacement fund.
- Senior Accountant will ensure necessary adjustments are recorded prior to the auditors' field visit and utilize additional expenditure reports to determine appropriate expenditure recognition period; and set up a process to timely expense post closure liability based on the capacity used of the landfill.
- Senior Accountant will work with auditors to review amortization schedules and make requisite journal entries before the auditors' field visit.

**Anticipated Completion Date:** June 30, 2018

### 2017-002 Receivable Recognition

**Contact Person Responsible for the Corrective Action Plan:** Gary Donaldson, Chief Financial Officer

**Corrective Action Plan:** We are currently implementing controls to ensure these year-end adjustments are considered and reflected in the general ledger, as appropriate.

- Management's implementation of the MUNIS Accounts Receivable module and related AR reports will provide County staff with an additional resource to ensure receivables are recognized and properly recorded prior to auditors' field visit.

**Anticipated Completion Date:** June 30, 2018

### 2017-003 Enterprise Program Integrity Control System (EPICS) – Special Test

**Contact Person Responsible for the Corrective Action Plan:** Gary Donaldson, Chief Financial Officer

**Corrective Action Plan:** The County Department of Social Services will periodically monitor case files to ensure all required documentation is included and approved by the respective case workers.

**Anticipated Completion Date:** June 30, 2018