

FINANCIAL STATEMENTS



Falling Spring Falls

COUNTY OF ALLEGHANY, VIRGINIA

FISCAL YEAR ENDED
JUNE 30, 2016

COUNTY OF ALLEGHANY, VIRGINIA

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

COUNTY OF ALLEGHANY, VIRGINIA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

TABLE OF CONTENTS

INTRODUCTORY SECTION

	<u>Page</u>
List of Elected and Appointed Officials	1

FINANCIAL SECTION

Independent Auditors' Report	2-4
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	<u>Exhibit</u>	<u>Page</u>
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Position	1	5
Statement of Activities	2	6
Fund Financial Statements:		
Balance Sheet - Governmental Funds	3	7
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	4	8
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	5	9
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6	10
Statement of Net Position - Proprietary Funds	7	11
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	8	12
Statement of Cash Flows - Proprietary Funds	9	13
Statement of Fiduciary Net Position - Fiduciary Funds	10	14
Notes to Financial Statements		15-67

Required Supplementary Information:

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual:		
General Fund	11	68
Special Law Fund	12	69
Schedule of OPEB Funding Progress	13	70
Schedule of Employer's Proportionate Share of the Net Pension Liability	14	71
Schedule of Components of and Changes in Net Pension Liability and Related Ratios		
Component Unit School Board (nonprofessional)	15	72
Schedule of Employer Contributions	16	73
Notes to Required Supplementary Information	17	74

COUNTY OF ALLEGHANY, VIRGINIA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

TABLE OF CONTENTS (CONTINUED)

	<u>Exhibit</u>	<u>Page</u>
Other Supplementary Information:		
Combining and Individual Fund Financial Statements and Schedules:		
Combining Statement of Fiduciary Net Position - Fiduciary Funds.....	18	75
Discretely Presented Component Unit - School Board:		
Combining Balance Sheet.....	19	76
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds	20	77
Schedule of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual.....	21	78
Combining Balance Sheet - Nonmajor Special Revenue Funds	22	79
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Special Revenue Funds.....	23	80
	<u>Schedule</u>	<u>Page</u>
Supporting Schedules:		
Schedule of Revenues - Budget and Actual - Governmental Funds	1	81-86
Schedule of Expenditures - Budget and Actual - Governmental Funds	2	87-92
Other Statistical Information:		
	<u>Table</u>	<u>Page</u>
Government-wide information:		
Government-Wide Expenses by Function	1	93
Government-Wide Revenues	2	94
Fund information:		
General Governmental Expenditures by Function	3	95
General Governmental Revenues by Source	4	96
Property Tax Levies and Collections	5	97
Assessed Value of Taxable Property	6	98
Property Tax Rates	7	99
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	8	100

COUNTY OF ALLEGHANY, VIRGINIA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

TABLE OF CONTENTS (CONTINUED)

COMPLIANCE SECTION

Page

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	101-102
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by Uniform Guidance	103-104
Schedule of Expenditures of Federal Awards	105-106
Schedule of Findings and Questioned Costs	107

INTRODUCTORY SECTION

COUNTY OF ALLEGHANY, VIRGINIA

BOARD OF SUPERVISORS

Stephen A. Bennett, Chairman	
G. Matt Barten, Vice Chairman	Suzanne T. Adcock
Shannon P. Cox	James M. Griffith
Cletus W. Nicely	Richard L. Shull

COUNTY SCHOOL BOARD

Randy Tucker, Chairman	
Benjamin Truett, Vice-Chairman	Gerald Franson
R. Craig Lane	Norman "Todd" Persinger, Jr.
Jennifer Seckner	Jacob Wright

SOCIAL SERVICES BOARD

Shannon P. Cox, Chair	
Thomas Sibold, Jr., Vice Chairman	Carolyn T. Barnette
Eston E. Burge	David Crosier
Kathy Harris	

OTHER OFFICIALS

Clerk of the Circuit Court	Debra N. Byer
Commissioner of the Revenue	Valerie Bruffey
Treasurer	Wanda Simpson
Sheriff	Kevin Hall
Director of Social Services	Suzanne T. Adcock
County Administrator	Jon Lanford
County Attorney	Jim Guynn

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To The Board of Supervisors
County of Alleghany, Virginia
Covington, Virginia

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 the County of Alleghany, Virginia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Change in Accounting Principle

As described in Note 15 to the financial statements, in 2016, the County adopted new accounting guidance, GASB Statement Nos. 79 Certain External Investment Pools and Pool Participants and 82 Pension Issues - and amendment of GASB Statements No. 67, No. 68, and No. 73. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedules related to OPEB funding and pensions on pages 68-69 and 70-74 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. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Alleghany, Virginia's basic financial statements. The introductory section, other supplementary information, and other statistical information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

Other Information (continued)

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

The introductory section and other statistical information 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 14, 2016, on our consideration of the County of Alleghany, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Alleghany, Virginia's internal control over financial reporting and compliance.

Robinson, Turner, Co. Associates

Blacksburg, Virginia
December 14, 2016

Basic Financial Statements

County of Alleghany, Virginia
Statement of Net Position
June 30, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	School Board
ASSETS				
Cash and cash equivalents	\$ 10,655,378	1,888,955	\$ 12,544,333	\$ 3,775,647
Cash in custody of others	-	-	-	381,271
Receivables (net of allowance for uncollectibles):				
Taxes receivable	707,623	-	707,623	-
Accounts receivable	33,872	521,882	555,754	87,896
Due from primary government	-	-	-	1,825,269
Due from other governmental units-current portion	2,267,070	272,015	2,539,085	384,134
Inventories	5,918	-	5,918	12,454
Prepaid items	-	-	-	432,242
Restricted assets:				
Cash and cash equivalents	-	51,914	51,914	-
Cash and cash equivalents - debt reserve funds	-	707,802	707,802	-
Due from other governmental units-net of current portion	-	1,371,083	1,371,083	-
Capital assets (net of accumulated depreciation):				
Land	3,551,612	88,980	3,640,592	971,024
Buildings and improvements	23,445,827	-	23,445,827	5,901,327
Machinery and equipment	1,774,741	484,618	2,259,359	1,898,407
Infrastructure	-	40,490,032	40,490,032	-
Construction in progress	498,013	1,501,516	1,999,529	15,974
Total assets	\$ 42,940,054	\$ 47,378,797	\$ 90,318,851	\$ 15,685,645
DEFERRED OUTFLOWS OF RESOURCES				
Pension contributions subsequent to measurement date	\$ 930,042	\$ 72,201	\$ 1,002,243	\$ 1,805,808
LIABILITIES				
Accounts payable	\$ 825,234	\$ 543,316	\$ 1,368,550	\$ 133,168
Accrued liabilities	159,500	11,001	170,501	1,940,234
Customers' deposits	-	51,914	51,914	-
Accrued interest payable	150,898	15,891	166,789	-
Due to component unit	1,825,269	-	1,825,269	-
Long-term liabilities:				
Due within one year	1,810,172	1,097,666	2,907,838	126,421
Due in more than one year	14,543,457	11,808,007	26,351,464	20,894,127
Total liabilities	\$ 19,314,530	\$ 13,527,795	\$ 32,842,325	\$ 23,093,950
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue - property taxes	\$ 19,379	\$ -	\$ 19,379	\$ -
Items related to measurement of net pension liability	920,870	67,023	987,893	1,942,956
Change in proportionate share of net pension liability	-	-	-	2,166,000
Total deferred inflows of resources	\$ 940,249	\$ 67,023	\$ 1,007,272	\$ 4,108,956
NET POSITION				
Net Investment in capital assets	\$ 19,535,293	\$ 30,192,605	\$ 49,727,898	\$ 8,786,732
Restricted:				
Jail Operations	220,543	-	220,543	444,696
CDBG Housing	29,531	-	29,531	-
Law Library	19,370	-	19,370	-
Asset Forfeiture Funds	86,204	-	86,204	-
Indoor Plumbing Rehab	68,491	-	68,491	-
Emergency Repair Fund	46,137	-	46,137	-
Debt Service Reserves	-	707,802	707,802	-
School Cafeterias	-	-	-	381,271
Health insurance	340,258	-	340,258	-
Unrestricted	3,269,490	2,955,773	6,225,263	(19,324,152)
Total net position	\$ 23,615,317	\$ 33,856,180	\$ 57,471,497	\$ (9,711,453)

The notes to the financial statements are an integral part of this statement.

County of Alleghany, Virginia
Statement of Activities
For the Year Ended June 30, 2016

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions		Governmental Activities	Primary Government Business-type Activities		Component Unit
			Grants and Contributions	Capital Grants and Contributions		Total	School Board	
PRIMARY GOVERNMENT:								
Governmental activities:								
General government administration	\$ 2,265,730	\$ 61,206	\$ 348,411	\$ -	\$ (1,856,113)	\$ -	\$ (1,856,113)	\$ -
Judicial administration	1,578,405	6,885	781,059	-	(790,461)	-	(790,461)	-
Public safety	5,669,932	85,663	2,307,926	-	(3,276,343)	-	(3,276,343)	-
Public works	3,082,441	303,221	17,540	-	(2,761,680)	-	(2,761,680)	-
Health and welfare	4,203,749	-	3,392,566	-	(811,183)	-	(811,183)	-
Education	11,703,747	-	2,389,184	-	(9,314,563)	-	(9,314,563)	-
Parks, recreation, and cultural	861,841	32,933	11,751	346,815	(470,342)	-	(470,342)	-
Community development	444,866	-	-	-	(444,866)	-	(444,866)	-
Interest on long-term debt	295,265	-	-	-	(295,265)	-	(295,265)	-
Total governmental activities	\$ 30,105,976	\$ 489,908	\$ 9,248,437	\$ 346,815	\$ (20,020,816)	\$ -	\$ (20,020,816)	\$ -
Business-type activities:								
Water and Sewer Fund	\$ 4,379,654	\$ 5,277,118	\$ -	\$ 4,000	\$ -	\$ 901,464	\$ 901,464	\$ -
Total primary government	\$ 34,485,630	\$ 5,767,026	\$ 9,248,437	\$ 350,815	\$ (20,020,816)	\$ 901,464	\$ (19,119,352)	\$ -
COMPONENT UNIT:								
School Board	\$ 25,539,318	\$ 453,380	\$ 14,691,599	\$ -	\$ -	\$ -	\$ -	\$ (10,394,339)
Total component unit	\$ 25,539,318	\$ 453,380	\$ 14,691,599	\$ -	\$ -	\$ -	\$ -	\$ (10,394,339)
General revenues:								
General property taxes					\$ 16,438,002	\$ -	\$ 16,438,002	\$ -
Other local taxes								
Local sales and use taxes					820,751	-	820,751	-
Consumers' utility taxes					307,762	-	307,762	-
Business license taxes					383,405	-	383,405	-
Utility consumption taxes					190,137	-	190,137	-
Motor vehicle licenses					392,485	-	392,485	-
Restaurant food taxes					360,928	-	360,928	-
Transient lodging taxes					176,726	-	176,726	-
Other local taxes					61,685	-	61,685	-
Unrestricted revenues from use of money and property					64,882	14,037	78,919	8,748
Miscellaneous					202,913	11,820	214,733	591,047
Payments from the County of Alleghany					-	-	-	11,043,372
Grants and contributions not restricted to specific programs					2,392,061	-	2,392,061	-
Total general revenues and transfers					\$ 21,791,737	\$ 25,857	\$ 21,817,594	\$ 11,643,167
Change in net position					\$ 1,770,921	\$ 927,321	\$ 2,698,242	\$ 1,248,828
Net position - beginning					21,844,396	32,928,859	54,773,255	(10,960,281)
Net position - ending					\$ 23,615,317	\$ 33,856,180	\$ 57,471,497	\$ (9,711,453)

The notes to the financial statements are an integral part of this statement.

County of Alleghany, Virginia
Balance Sheet
Governmental Funds
June 30, 2016

	<u>General Fund</u>	<u>Special Law Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 10,091,817	\$ 223,303	\$ 10,315,120
Receivables (net of allowance for uncollectibles):			
Taxes receivable	707,623	-	707,623
Accounts receivable	33,872	-	33,872
Due from other governmental units	2,267,070	-	2,267,070
Inventories	5,918	-	5,918
Total assets	<u>\$ 13,106,300</u>	<u>\$ 223,303</u>	<u>\$ 13,329,603</u>
LIABILITIES			
Accounts payable	\$ 822,474	\$ 2,760	\$ 825,234
Accrued liabilities	159,500	-	159,500
Due to component unit	1,825,269	-	1,825,269
Total liabilities	<u>\$ 2,807,243</u>	<u>\$ 2,760</u>	<u>\$ 2,810,003</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	\$ 531,347	\$ -	\$ 531,347
Unavailable revenue - prepaid taxes	19,379	-	19,379
Total deferred inflows of resources	<u>\$ 550,726</u>	<u>\$ -</u>	<u>\$ 550,726</u>
FUND BALANCES			
Nonspendable			
Inventory	\$ 5,918	\$ -	\$ 5,918
Restricted			
Jail Operations	-	220,543	220,543
CDBG Housing	29,531	-	29,531
Law Library	19,370	-	19,370
Asset Forfeiture Funds	86,204	-	86,204
Indoor Plumbing Rehab	68,491	-	68,491
Emergency Repair Fund	46,137	-	46,137
Unassigned	9,492,680	-	9,492,680
Total fund balances	<u>\$ 9,748,331</u>	<u>\$ 220,543</u>	<u>\$ 9,968,874</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 13,106,300</u>	<u>\$ 223,303</u>	<u>\$ 13,329,603</u>

The notes to the financial statements are an integral part of this statement.

County of Alleghany, Virginia
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
June 30, 2016

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	9,968,874
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$	3,551,612	
Buildings and improvements		23,445,827	
Machinery and equipment		1,774,741	
Construction in progress		498,013	29,270,193

Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.

Unavailable revenue - property taxes	\$	531,347	
Items related to measurement of net pension liability		(920,870)	(389,523)

Internal service funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.

340,258

Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds.

930,042

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. This amount is net of any corresponding unamortized bond issuance costs and deferred amounts on refundings.

General obligation bonds	\$	(5,152,194)	
Premium on issuance		(82,706)	
Literary loans		(4,500,000)	
Accrued interest payable		(150,898)	
Compensated absences		(308,757)	
Net pension liability		(6,309,972)	(16,504,527)

Net position of governmental activities

\$ 23,615,317

The notes to the financial statements are an integral part of this statement.

County of Alleghany, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

	<u>General</u>	Special Law <u>Fund</u>	<u>Total</u>
REVENUES			
General property taxes	\$ 16,432,520	\$ -	\$ 16,432,520
Other local taxes	2,693,879	-	2,693,879
Permits, privilege fees, and regulatory licenses	34,172	-	34,172
Fines and forfeitures	37,102	-	37,102
Revenue from the use of money and property	63,096	1,106	64,202
Charges for services	418,634	-	418,634
Miscellaneous	150,698	52,215	202,913
Recovered costs	1,547,656	-	1,547,656
Intergovernmental	11,987,313	-	11,987,313
Total revenues	<u>\$ 33,365,070</u>	<u>\$ 53,321</u>	<u>\$ 33,418,391</u>
EXPENDITURES			
Current:			
General government administration	\$ 2,408,993	\$ -	\$ 2,408,993
Judicial administration	1,623,127	-	1,623,127
Public safety	6,259,092	33,677	6,292,769
Public works	3,196,499	-	3,196,499
Health and welfare	4,605,417	-	4,605,417
Education	11,052,602	-	11,052,602
Parks, recreation, and cultural	1,387,272	-	1,387,272
Community development	433,733	-	433,733
Capital projects	273,257	-	273,257
Debt service:			
Principal retirement	1,673,800	-	1,673,800
Interest and other fiscal charges	362,581	-	362,581
Total expenditures	<u>\$ 33,276,373</u>	<u>\$ 33,677</u>	<u>\$ 33,310,050</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 88,697</u>	<u>\$ 19,644</u>	<u>\$ 108,341</u>
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	\$ 192,519	\$ -	\$ 192,519
Total other financing sources (uses)	<u>\$ 192,519</u>	<u>\$ -</u>	<u>\$ 192,519</u>
Net change in fund balances	\$ 281,216	\$ 19,644	\$ 300,860
Fund balances - beginning	9,467,115	200,899	9,668,014
Fund balances - ending	<u>\$ 9,748,331</u>	<u>\$ 220,543</u>	<u>\$ 9,968,874</u>

The notes to the financial statements are an integral part of this statement.

County of Alleghany, Virginia
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, 2016

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

Net change in fund balances - total governmental funds	\$	300,860
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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 the depreciation exceeded capital outlays in the current period.

Capital outlay	\$ 1,381,423	
Depreciation expense	<u>(1,602,058)</u>	(220,635)

The net effect of various miscellaneous transactions involving capital assets (I.e., sales, trade-ins, and donations) is to decrease net position.		(532,829)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	\$ 5,482	
Change in deferred inflows related to the measurement of the net pension liability	<u>638,258</u>	643,740

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal repayments:		
General obligation bonds	\$ 923,800	
Literary loans	<u>750,000</u>	1,673,800

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.

Change in compensated absences	\$ 39,781	
Change in accrued interest payable	22,453	
Change in net pension liability	(199,848)	
Change in deferred outflows related to pensions	(1,944)	
Amortization of bond premium	<u>44,863</u>	(94,695)

Internal service funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.

680

Change in net position of governmental activities	\$	<u><u>1,770,921</u></u>
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The notes to the financial statements are an integral part of this statement.

County of Alleghany, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2016

	Enterprise Fund Water and Sewer Fund	Internal Service Funds
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,888,955	\$ 340,258
Accounts receivable, net of allowance for uncollectibles	521,882	-
Due from other governmental units	272,015	-
Total current assets	<u>\$ 2,682,852</u>	<u>\$ 340,258</u>
Noncurrent assets:		
Restricted cash and cash equivalents:		
Customers' deposits	\$ 51,914	\$ -
Debt service reserves	707,802	-
Total restricted assets	<u>\$ 759,716</u>	<u>\$ -</u>
Due from other governmental units	<u>\$ 1,371,083</u>	
Capital assets:		
Infrastructure and equipment	\$ 52,231,870	\$ -
Land	88,980	-
Machinery and equipment	762,908	-
Accumulated depreciation	(12,020,128)	-
Construction in progress	1,501,516	-
Total capital assets	<u>\$ 42,565,146</u>	<u>\$ -</u>
Total noncurrent assets	<u>\$ 44,695,945</u>	<u>\$ -</u>
Total assets	<u>\$ 47,378,797</u>	<u>\$ 340,258</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension contributions subsequent to measurement date	<u>\$ 72,201</u>	<u>\$ -</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 543,316	\$ -
Payroll liabilities	11,001	-
Customers' deposits	51,914	-
Accrued interest payable	15,891	-
Compensated absences - current portion	55,409	-
Bonds payable - current portion	1,042,257	-
Total current liabilities	<u>\$ 1,719,788</u>	<u>\$ -</u>
Noncurrent liabilities:		
Compensated absences - net of current portion	\$ 18,470	\$ -
Bonds payable - net of current portion	11,330,284	-
Net pension liability	459,253	-
Total noncurrent liabilities	<u>\$ 11,808,007</u>	<u>\$ -</u>
Total liabilities	<u>\$ 13,527,795</u>	<u>\$ -</u>
DEFERRED INFLOWS OF RESOURCES		
Items related to measurement of net pension liability	<u>\$ 67,023</u>	<u>\$ -</u>
NET POSITION		
Net Investment in capital assets	\$ 30,192,605	\$ -
Restricted for debt service	707,802	-
Restricted for health claims	-	340,258
Unrestricted	2,955,773	-
Total net position	<u>\$ 33,856,180</u>	<u>\$ 340,258</u>

The notes to the financial statements are an integral part of this statement.

County of Alleghany, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2016

	Enterprise Fund <u>Water and Sewer Fund</u>	Internal Service <u>Funds</u>
OPERATING REVENUES		
Charges for services:		
Water revenues (serves as security for revenue bonds)	\$ 1,912,098	\$ -
Sewer revenues (serves as security for revenue bonds)	2,383,496	-
Sewer revenues (Clifton Forge settlement)	943,223	-
Penalty	38,301	-
Miscellaneous	11,820	-
Total operating revenues	<u>\$ 5,288,938</u>	<u>\$ -</u>
OPERATING EXPENSES		
Salaries and wages	\$ 568,136	\$ -
Fringe benefits	233,967	-
Professional services	610,860	-
Utilities	282,169	-
Materials and supplies	381,114	-
Insurance	36,066	-
Travel	2,233	-
Dues and memberships	400	-
Permits	20,929	-
Rentals and leases	6,126	-
Repairs and maintenance	150,134	-
Purchased services	987,796	-
Depreciation	1,008,904	-
Total operating expenses	<u>\$ 4,288,834</u>	<u>\$ -</u>
Operating income (loss)	<u>\$ 1,000,104</u>	<u>\$ -</u>
NONOPERATING REVENUES (EXPENSES)		
Interest income	\$ 14,037	\$ 680
Connection fees	4,000	-
Interest expense	(90,820)	-
Total nonoperating revenues (expenses)	<u>\$ (72,783)</u>	<u>\$ 680</u>
Change in net position	\$ 927,321	\$ 680
Total net position - beginning	32,928,859	339,578
Total net position - ending	<u><u>\$ 33,856,180</u></u>	<u><u>\$ 340,258</u></u>

The notes to the financial statements are an integral part of this statement.

County of Alleghany, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2016

	Enterprise Fund Water and Sewer Fund	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 2,508,522	\$ -
Payments to suppliers	(2,317,796)	-
Payments to and for employees	(861,615)	-
Net cash provided by (used for) operating activities	<u>\$ (670,889)</u>	<u>\$ -</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions to utility plant	\$ (1,390,776)	\$ -
Principal payments on bonds	(572,204)	-
Connection fees	4,000	-
Proceeds from indebtedness	2,938,599	-
Interest expense	(87,899)	-
Net cash provided by (used for) capital and related financing activities	<u>\$ 891,720</u>	<u>\$ -</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	\$ 14,037	\$ 680
Net cash provided by (used for) investing activities	<u>\$ 14,037</u>	<u>\$ 680</u>
Net increase (decrease) in cash and cash equivalents	\$ 234,868	\$ 680
Cash and cash equivalents - beginning - including restricted of \$562,112	2,413,799	339,578
Cash and cash equivalents - ending - including restricted of \$759,716	<u>\$ 2,648,667</u>	<u>\$ 340,258</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ 1,000,104	\$ -
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation expense	\$ 1,008,904	\$ -
(Increase) decrease in accounts receivable	(84,516)	-
(Increase) decrease in due from other governments	(1,643,098)	-
(Increase) decrease in deferred outflows of resources	(4,641)	-
(Increase) decrease in inventories	13,898	-
Increase (decrease) in customer deposits	7,198	-
Increase (decrease) in operating accounts payable	146,133	-
Increase (decrease) in compensated absences	(4,635)	-
Increase (decrease) in payroll liabilities	(18,327)	-
Increase (decrease) in deferred inflows of resources	(46,454)	-
Increase (decrease) in net pension liability	14,545	-
Total adjustments	<u>\$ (610,993)</u>	<u>\$ -</u>
Net cash provided by (used for) operating activities	<u>\$ 389,111</u>	<u>\$ -</u>
Noncash investing, capital, and financing activities:		
Asset received as part of settlement with the Town of Clifton Forge	<u>1,060,000</u>	

The notes to the financial statements are an integral part of this statement.

County of Alleghany, Virginia
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 894,562
Total assets	<u>\$ 894,562</u>
LIABILITIES	
Amounts held for Alleghany Highlands Economic Development Corporation	\$ 64,811
Amounts held for social services clients	49
Amounts held for Friends of Youth	3,468
Amounts held for Human and Leisure Activity	793
Amounts held for Jackson River Vocational Center	306,619
Amounts held for United Fire and Rescue Association	493,745
Amount held for other localities	19,946
Amounts held for Humane Society	5,131
Total liabilities	<u>\$ 894,562</u>

The notes to the financial statements are an integral part of this statement.

COUNTY OF ALLEGHANY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Note 1-Summary of Significant Accounting Policies:

The financial statements of the County conform to generally accepted accounting principles (GAAP) applicable to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies:

A. Financial Reporting Entity

The County of Alleghany, Virginia is a municipal corporation governed by an elected seven-member Board of Supervisors. The accompanying financial statements present the government and its component unit, entities for which the government is considered to be financially accountable. Blended component unit, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Blended component units - None

Discretely Presented Component Units - The component unit column in the financial statements include the financial data of the County's discretely presented component unit. It is reported in a separate column to emphasize that it is legally separate from the County.

The Alleghany County School Board operates the elementary and secondary public schools in the County. School Board members are appointed. The School Board is fiscally dependent upon the County because the County approves all debt issuances of the School Board and provides significant funding to operate the public schools since the School Board does not have separate taxing powers. The School Board is presented as a governmental fund type. The School Board does not issue separate financial statements.

Related Organizations - The County Board appoints board members to outside organizations, but the County's accountability for these organizations does not extend beyond making the appointments.

Jointly Governed Organizations - None

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 nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 1-Summary of Significant Accounting Policies: (Continued)

B. Government-wide and fund financial statements (Continued)

The statement of net position is designed to display financial position of the primary government (governmental and business-type activities) and its discretely presented component units. Governments will report all capital assets in the government-wide statement of net position and will report depreciation expense - the cost of "using up" capital assets - in the statement of activities. The net position of a government will be broken down into three categories - 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds, if any, are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Note 1-Summary of Significant Accounting Policies: (Continued)

C. Measurement focus, basis of accounting, and financial statement presentation: (Continued)

Property taxes, franchise taxes, licenses, and interest 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. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for un-collectible amounts. Property taxes not collected within 60 days after year-end are reflected as unavailable revenues.

Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the County, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the County.

Licenses, permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Revenues from general-purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when the government receives cash.

The County reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for and reports all financial resources of the general government, except those required to be accounted for in other funds. The general fund includes the activities of the Law Library, Employee Function, Indoor Plumbing Rehab, Emergency Repair, Drug Asset Forfeiture, Courthouse Security, Children Coping with Divorce and Community Development Block Grant Funds. Such funds have been merged for financial reporting purposes.

The *special law fund* is a major special revenue fund. It accounts for and reports revenues generated by the Jail that are restricted as to use.

The County reports the following major proprietary funds:

The County operates a sewage collection and treatment system and water distribution system. The activities of these systems are accounted for in the Water and Sewer Fund.

The *Internal Service Fund* accounts for the financing of goods and services provided by one department or agency to other departments or agencies of the County government. The self-insured health insurance plan is accounted for in this fund. The self-insurance plan was terminated on July 1, 2012 and the fund remains solely to pay any lingering claims.

Additionally, the County reports the following fund types:

Fiduciary funds (Trust and Agency Funds) account for assets held by the government in a trustee capacity or as agent or custodian for individuals, private organizations, other governmental units, or other funds. Agency funds include the Special Welfare, Friends of Youth, Humane Society Capital Improvements, Human and Leisure Service, Jackson River Vocational Center, United Fire and Rescue Association, Funds held for other localities, and the AHEDC Fund.

Note 1-Summary of Significant Accounting Policies: (Continued)

C. Measurement focus, basis of accounting, and financial statement presentation: (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are other charges between the government's functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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, including special assessments. 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 *nonoperating* 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. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, liabilities, deferred outflows/inflows of resources and net position/fund balance

1. Cash and Cash Equivalents

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Investments

Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposit (CDs)) and external investment pools are measured at amortized cost. All other investments are reported at fair value.

3. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). 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, are offset by nonspendable fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 1-Summary of Significant Accounting Policies: (Continued)

D. Assets, liabilities, deferred outflows/inflows of resources and net position/fund balance
(Continued)

4. Property Taxes

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Real estate taxes are payable on December 5th. Personal property taxes are due and collectible annually on December 5th. The County bills and collects its own property taxes.

5. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$137,524 at June 30, 2016 and is comprised of \$89,584 in property taxes and \$47,940 in water and sewer billings.

6. Use of Estimates

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

6. Inventories

All inventories are valued at cost using the weighted average method. Inventories of proprietary funds are recorded as expenses when purchased. Inventories of governmental funds are recorded as expenditures when purchased.

7. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the current or previous year.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016**Note 1-Summary of Significant Accounting Policies: (Continued)**D. Assets, liabilities, deferred outflows/inflows of resources and net position/fund balance
(Continued)

7. Capital Assets (Continued)

Property, plant, and equipment and infrastructure of the primary government, as well as the component unit, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20 - 40
Structures, lines, and accessories	20 - 65
Machinery and equipment	5 - 12

8. Compensated Absences

Vested or accumulated vacation, sick, and holiday pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. In accordance with the provisions of Governmental Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive benefits. All vacation, sick, and holiday pay is accrued when incurred in the government-wide and proprietary fund financial statements to the extent of amounts that are paid out to employees upon termination.

9. Pensions

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

10. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, 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 deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Note 1-Summary of Significant Accounting Policies: (Continued)

- D. Assets, liabilities, deferred outflows/inflows of resources and net position/fund balance
(Continued)

11. Fund Equity

Fund balances, presented in the governmental fund financial statements, represent the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources reported in a governmental fund. The County reports fund balance in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable -items that cannot be spent because they are not in spendable form (such as prepaid items and inventory) or are required to be maintained intact (corpus of a permanent fund);

Restricted -items that are restricted by external parties such as creditors or imposed by grants, law or legislation;

Committed -items that have been committed (modified or rescinded) by formal action by the entity's "highest level of decision-making authority"; which the County considers to be the Board of Supervisors. To be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level of action to remove or change constraint.

Assigned -items that have been allocated by committee action where the government's intent is to use the funds for a specific purpose. The County considers this level of authority to be the Board of Supervisors or any Committee granted such authority by the Board of Supervisors.

Unassigned -this category is for any balances that have no restrictions placed upon them; positive amounts are only reported in the general fund.

When fund balance resources are available for a specific purpose in more than one classification, it is the County's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

The Board of Supervisors establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance / resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by Board of Supervisors through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

Note 1-Summary of Significant Accounting Policies: (Continued)

D. Assets, liabilities, deferred outflows/inflows of resources and net position/fund balance
(Continued)

12. Net Position

Net position is the difference between a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

13. Net Position Flow Assumption

Sometimes the County will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the County's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

14. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial 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. The County only has one item that qualifies for reporting in this category. It is comprised of contributions to the pension plan made during the current year and subsequent to the net pension liability measurement date, which will be recognized as a reduction of the net pension liability next fiscal year. For more detailed information on these items, reference the pension note.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 1-Summary of Significant Accounting Policies: (Continued)

D. Assets, liabilities, deferred outflows/inflows of resources and net position/fund balance
(Continued)

14. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has two types of items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30th and amounts prepaid on taxes due December 5th and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, amounts prepaid on taxes due on December 5th are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension liability are reported as deferred inflows of resources. These include differences between expected and actual experience, changes in assumptions, and the net difference between projected and actual earnings on pension plan investments and changes in proportion and differences between employer contributions and proportionate share of contributions. For more detailed information on these items, reference the pension note.

Note 2-Stewardship, Compliance, and Accountability:

A. Budgetary information

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

1. Prior to March 30, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. All non-fiduciary funds have legally adopted budgets.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds. The School Operating Fund is integrated only at the level of legal adoption.
5. The Appropriations Resolution places legal restrictions on expenditures at the department level. Only the Board of Supervisors can revise the appropriation for each department. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 2-Stewardship, Compliance, and Accountability: (Continued)

B. Budgetary information (Continued)

6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all County units. The County's practice is to appropriate Capital Projects by Project. Several supplemental appropriations were necessary during this fiscal year.
8. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to commit that portion of the applicable appropriations, is part of the County's accounting system.

B. Deficit fund equity

At June 30, 2016, there were no funds with deficit fund equity.

C. Excess of expenditures over appropriations

Certain departments had expenditures exceeding appropriations for the year ended June 30, 2016.

Note 3-Deposits and Investments:

Deposits:

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

Investments:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016Note 3-Deposits and Investments: (Continued)Credit Risk of Debt Securities

The County has not adopted an investment policy for credit risk. The County's rated debt investments as of June 30, 2016 were rated by Standard and Poor's and/or and equivalent national rating organization and the ratings are presented below using the Standard and Poor's rating scale.

<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
LGIP	\$ 1,370

External Investment Pools

The LGIP is not SEC registered and regulatory oversight of the pool rests with the Virginia State Treasury. The fair value of the positions in the external investment pools (Local Government Investment Pool) is the same as the value of the pool shares. As LGIP is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP is an amortized cost basis portfolio under the provisions of GASB Statement No. 79. There are no withdrawal limitations or restrictions imposed on participants.

Interest Rate Risk

The County has not adopted an investment policy for interest rate risk. Investments subject to interest rate risk are presented below along with their corresponding maturities.

<u>Investment Maturities (in years)</u>			
<u>Investment Type</u>	<u>Fair Value</u>	<u>1 Year</u>	<u>1-5 Years</u>
Local Government Investment Pool	\$ 1,370	\$ 1,370	\$ -
Totals	\$ 1,370	\$ 1,370	\$ -

Custodial Credit Risk

At year end, the County was not exposed to any custodial credit risk for deposits or investments. The County limits deposits to those banks fully collateralized under the Commonwealth's Security for Public Deposits Act. The County policy in regards to investments requires that all investments be held in the County's name.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016**Note 4-Due from Other Governmental Units:**

The following amounts represent receivables from other governments at year-end:

	Primary Government	Business-Type Activities	Component Unit School Board
Local:			
City of Covington	\$ 266,244	\$ -	\$ -
County of Bath	122,755	-	-
Clifton Forge	-	1,643,098	-
Commonwealth of Virginia:			
Local sales tax	133,402	-	-
State sales tax	419,610	-	-
Categorical aid, shared expenses	251,664	-	-
Other categorical aid	8,581	-	118,140
Non-categorical aid	70,670	-	-
Virginia public assistance funds	42,792	-	-
Community Services Authority	521,004	-	-
Federal government:			
Virginia public assistance funds	95,761	-	-
Categorical aid	334,587	-	265,994
	<u>\$ 2,267,070</u>	<u>\$ 1,643,098</u>	<u>\$ 384,134</u>

Note 5-Component-Unit Obligations and Contributions:

The following balances represent amounts due between the primary government and its component unit as of June 30, 2016:

Fund	Payable	Receivable
Primary Government:		
General Fund	\$ 1,825,269	\$ -
Component Unit - School Board:		
School Operating Fund	<u>-</u>	<u>1,825,269</u>
Totals	<u>\$ 1,825,269</u>	<u>\$ 1,825,269</u>

Primary government contributions to the component unit for the year ended June 30, 2016, consisted of the following:

Component Unit:	
School Board	\$ 11,043,372

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016Note 6-Long-Term Obligations:Primary Government - Governmental Activities Obligations:

The following is a summary of long-term obligation transactions of the County for the year ended June 30, 2016.

	Balance July 1, 2015	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2016
General obligation bonds	\$ 6,075,994	\$ -	\$ (923,800)	\$ 5,152,194
Premium on issuance	127,569	-	(44,863)	82,706
Literary loans	5,250,000	-	(750,000)	4,500,000
Compensated absences	348,538	221,623	(261,404)	308,757
Net pension liability	6,110,124	2,940,976	(2,741,128)	6,309,972
Total	<u>\$ 17,912,225</u>	<u>\$ 3,162,599</u>	<u>\$ (4,721,195)</u>	<u>\$ 16,353,629</u>

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

Year Ending June 30,	General Obligation Bonds		Literary Loans	
	Principal	Interest	Principal	Interest
2017	\$ 828,604	\$ 220,019	\$ 750,000	\$ 90,000
2018	857,072	181,629	750,000	75,000
2019	895,087	142,319	750,000	60,000
2020	523,339	109,474	750,000	45,000
2021	541,736	83,589	750,000	30,000
2022-2026	1,308,898	161,047	750,000	15,000
2027	197,458	4,542	-	-
Totals	<u>\$ 5,152,194</u>	<u>\$ 902,619</u>	<u>\$ 4,500,000</u>	<u>\$ 315,000</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016Note 6-Long-Term Obligations: (Continued)Primary Government - Governmental Activities Obligations: (Continued)

Details of long-term obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
General Obligation Bonds:		
\$5,000,000 General Obligation Bond (Alleghany Highlands School Project) issued March 20, 2001 bearing interest at a rate of 5.60% payable semi-annually on July 15 and January 15 through 2021. Principal payments are due annually in installments varying from \$140,000 to \$405,000.	\$ 2,075,000	\$ 305,000
\$3,205,141 General Obligation Bond bearing interest at a rate between 4.225% and 5.1% payable semi-annually on July 15 and January 15 through 2026. Principal payments are due annually in installments varying from \$122,176 to \$197,459.	1,942,194	158,604
\$1,825,000 General Obligation Bond bearing interest at a rate between 3.05% and 4.05% payable semi-annually on January 15 and July 15 through 2018. Principal payments are due annually in installments varying from \$340,000 to \$395,000.	1,135,000	365,000
Total General Obligation Bonds	<u>\$ 5,152,194</u>	<u>\$ 828,604</u>
Literary Loans:		
\$7,500,000 State Literary Loan issued January 15, 2002 due in annual principal installments of \$375,000 through December 1, 2022 with interest payable at 2.00%.	\$ 2,250,000	\$ 375,000
\$7,500,000 State Literary Loan issued January 15, 2002 due in annual principal installments of \$375,000 through December 1, 2022 with interest payable at 2.00%.	2,250,000	375,000
Total Literary Loans	<u>\$ 4,500,000</u>	<u>\$ 750,000</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016Note 6-Long-Term Obligations: (Continued)Primary Government - Governmental Activities Obligations: (Continued)

Details of long-term obligations: (Continued)

	Amount Due	Amount Due Within One Year
Other Obligations (liquidated in the General Fund)		
Compensated Absences	\$ 308,757	\$ 231,568
Unamortized Premium on Issuance	82,706	-
Net Pension Liability	6,309,972	-
Total Other Obligations	\$ 6,701,435	\$ 231,568
Total Long-term Obligations	\$ 16,353,629	\$ 1,810,172

Primary Government - Business-type Activities:

The following is a summary of long-term obligation transactions of the Enterprise Fund for the year ended June 30, 2016.

	Balance July 1, 2015	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2016
Revenue bonds	\$ 10,006,146	\$ 2,938,599	\$ (572,204)	\$ 12,372,541
Compensated absences	78,514	54,251	(58,886)	73,879
Net pension liability	444,708	214,050	(199,505)	459,253
Total	\$ 10,529,368	\$ 3,206,900	\$ (830,595)	\$ 12,905,673

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 6-Long-Term Obligations: (Continued)Primary Government - Business-type Activities: (Continued)

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

Year Ending June 30,	Revenue Bonds	
	Principal	Interest
2017	\$ 1,042,257	\$ 109,072
2018	1,052,518	98,810
2019	1,057,801	93,528
2020	1,063,195	88,134
2021	1,068,704	82,625
2022-2026	2,959,771	350,571
2027-2031	1,986,820	284,346
2032-2036	753,339	214,684
2037-2041	549,381	135,341
2042-2046	447,542	69,946
2047-2051	391,213	19,667
Totals	<u>\$ 12,372,541</u>	<u>\$ 1,546,724</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016Note 6-Long-Term Obligations: (Continued)Primary Government - Business-type Activities: (Continued)

Details of long-term obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Revenue Bonds:		
\$463,000 Rural Development Bond issued February 13, 2001, bearing interest at 4.50%. Monthly principal and interest payments of \$2,126 begin on August 6, 2002 and continue through 2039.	\$ 351,186	\$ 9,240
 \$2,153,232 Water and Sewer System Revenue Bond issued December 17, 1999 with semi-annual installments on February 1 and August 1 in the amount of \$51,866 through February 1, 2021. This is a non-interest bearing loan.	 518,659	 103,732
\$2,429,000 Rural Development Bond issued November 9, 2010, at an interest rate of 2.25% with interest only payments due November 9, 2011 and 2012 and principal and interest payments of \$7,943 due monthly starting December 9, 2012 and continuing until October 9, 2050.	2,277,193	44,532
\$4,385,649 interest free Virginia Resource Authority Bond issued in 2011 with semi-annual principal payments of \$109,641 beginning August 1, 2012 and continuing until August 1, 2019.	3,508,519	219,282
\$563,500 Virginia Resource Authority Bond issued in 2012, bearing interest at 3.00%. Semi-annual principal and interest payments of \$14,459 beginning January 2014 and continuing until July 2043.	515,621	13,039
\$1,759,875 interest free Virginia Resource Authority Bond issued in 2016 with semi-annual principal payments of \$135,375 beginning September 1, 2016 and continuing until September 1, 2022.	1,759,875	270,750
\$3,733,313 Virginia Resource Authority Bond issued in 2016, bearing interest at 1.45%. Semi-annual principal and interest payments of \$110,240 beginning August 2017 and continuing until February 2037. As of June 30, 2016, \$1,178,724 of this loan has been drawn down.	1,178,724	198,227

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016Note 6-Long-Term Obligations: (Continued)Primary Government - Business-type Activities Obligations: (Continued)

Details of long-term obligations: (Continued)

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Revenue Bonds (Continued)		
\$248,548 Revenue Bond issued February 1, 2005, at an interest rate of 3.00%, with principal and interest payments of \$8,464 due every February 1 and August 1 beginning February 1, 2006 until February 1, 2032.	\$ 132,655	\$ 13,046
 \$5,887,182 interest free Virginia Resource Authority bond issued in 2007 with semi - annual principal payments of \$85,204 due until September 1, 2028.	<u>2,130,109</u>	<u>170,409</u>
 Total Revenue Bonds	<u>\$ 12,372,541</u>	<u>\$ 1,042,257</u>
 Other Obligations: (liquidated in the Water and Sewer Fund)		
Compensated Absences	\$ 73,879	\$ 55,409
Net pension liability	<u>459,253</u>	<u>-</u>
 Total Other Obligations:	<u>\$ 533,132</u>	<u>\$ 55,409</u>
 Total Long - term Obligations	<u>\$ 12,905,673</u>	<u>\$ 1,097,666</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016Note 7-Long-term Obligations-Component Unit School Board:Discretely Presented Component Unit-School Board-Obligations:

The following is a summary of long-term obligation transactions of the Component-Unit School Board for the year ended June 30, 2016.

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Net OPEB obligation	\$ 471,577	\$ 83,567	\$ (81,300)	\$ 473,844
Compensated absences	170,639	125,901	(127,979)	168,561
Net pension liability	20,540,817	6,482,073	(6,644,747)	20,378,143
Total	\$ 21,183,033	\$ 6,691,541	\$ (6,854,026)	\$ 21,020,548

Details of long-term obligations:

	Total Amount	Amount Due Within One Year
<u>Other Obligations:</u> (liquidated in School Operating Fund)		
Net OPEB obligation	\$ 473,844	\$ -
Compensated absences	168,561	126,421
Net pension liability	20,378,143	-
Total Long-Term Obligations	\$ 21,020,548	\$ 126,421

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 8-Pension Plan:**Plan Description**

All full-time, salaried permanent employees of the County and (nonprofessional) employees of the public school divisions are automatically covered by the VRS Retirement Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. However, several entities whose financial information is not included in the primary government report participate in the VRS plan through the County of Alleghany and the participating entities report their proportionate information on the basis of a cost-sharing plan.

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Retirement Plan upon employment. This is a cost-sharing multiple employer plan administered by the Virginia Retirement System (the system).

Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

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

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.	About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.	About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members") <ul style="list-style-type: none"> The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016Note 8-Pension Plan: (Continued)Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1 (Cont.)	About Plan 2 (Cont.)	<p>About the Hybrid Retirement Plan (Cont.)</p> <ul style="list-style-type: none"> • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees* • School division employees • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016**Note 8-Pension Plan: (Continued)****Plan Description: (Continued)**

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Hybrid Opt-In Election (Cont.) The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>Hybrid Opt-In Election (Cont.) The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees. <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</p>	<p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016Note 8-Pension Plan: (Continued)Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Creditable Service Same as Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016Note 8-Pension Plan: (Continued)Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016Note 8-Pension Plan: (Continued)Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting (Cont.)	Vesting (Cont.)	<p>Vesting (Cont.) <u>Defined Contributions Component:</u> (Cont.) Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>
<p>Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1</p>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016Note 8-Pension Plan: (Continued)Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Calculating the Benefit (Cont.) An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	Calculating the Benefit (Cont.)	Calculating the Benefit (Cont.) <u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.	Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013. Sheriffs and regional jail superintendents: Same as Plan 1. Political subdivision hazardous duty employees: Same as Plan 1.	Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. Sheriffs and regional jail superintendents: Not applicable. Political subdivision hazardous duty employees: Not applicable. <u>Defined Contribution Component:</u> Not applicable.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016Note 8-Pension Plan: (Continued)Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Normal Retirement Age VRS: Age 65.</p> <p>Political subdivisions hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Normal Retirement Age <u>Defined Benefit Component:</u> VRS: Same as Plan 2.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016Note 8-Pension Plan: (Continued)Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><u>Eligibility:</u> Same as Plan 1</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016Note 8-Pension Plan: (Continued)Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016**Note 8-Pension Plan:** (Continued)Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	Disability Coverage Employees of political subdivisions and School divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	Purchase of Prior Service Same as Plan 1.	Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions: <ul style="list-style-type: none"> •Hybrid Retirement Plan members are ineligible for ported service. •The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. •Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. <u>Defined Contribution Component:</u> Not applicable.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 8-Pension Plan: (Continued)

Plan Description: (Continued)

The system issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-annual-report-pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Contributions

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

The County's contractually required contribution rate for the year ended June 30, 2016 was 14.65% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$1,002,243 and \$1,005,627 for the years ended June 30, 2016 and June 30, 2015, respectively.

Net Pension Liability

At June 30, 2016, the County reported a liability of \$6,769,225 for its proportionate share of the net pension liability. The County's net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015. In order to allocate the net pension liability to all employers included in the plan, the County is required to determine its proportionate share of the net pension liability. Contributions during the year ended June 30, 2015 were used as a basis for allocation to determine the County's proportionate share of the net pension liability. At June 30, 2015 and 2014, the County's proportion was 99.64%.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 8-Pension Plan: (Continued)

Actuarial Assumptions - General Employees: (Continued)

The total pension liability for General Employees in the Alleghany County's Retirement Plan and the Alleghany County Public Schools Retirement Plan was based on an actuarial valuation as of June 30, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

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

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

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

Largest 10 - Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 8-Pension Plan: (Continued)

Actuarial Assumptions - General Employees: (Continued)

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-LEOS:

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

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

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

Actuarial Assumptions - Public Safety Employees

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

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

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 8-Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees: (Continued)

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

Largest 10 - Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - LEOS:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016Note 8-Pension Plan: (Continued)Long-Term Expected Rate of Return

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

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

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016**Note 8-Pension Plan: (Continued)**Discount Rate

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

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
County's proportionate share of the County Retirement Plan Net Pension Liability (Asset)	11,213,653	6,769,225	3,068,826

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016Note 8-Pension Plan: (Continued)**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended June 30, 2016, the County recognized pension expense of \$529,228. At June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Primary Government</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 258,787
Change in assumptions	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	-
Net difference between projected and actual earnings on pension plan investments	-	729,106
Employer contributions subsequent to the measurement date	1,002,243	-
Total	<u>\$ 1,002,243</u>	<u>\$ 987,893</u>

\$1,002,243 reported as deferred outflows of resources related to pensions resulting from the County's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	<u>Primary Government</u>
2017	\$ (369,494)
2018	(369,494)
2019	(369,494)
2020	120,589
Thereafter	-

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016**Note 8-Pension Plan: (Continued)****Component Unit School Board (nonprofessional):****Plan Description**

Additional information related to the plan description, plan contribution requirements, actuarial assumptions, long-term expected rate of return, and discount rate is included in the first section of this note.

Employees Covered by Benefit Terms

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

	<u>Component Unit School Board Nonprofessional</u>
Inactive members or their beneficiaries currently receiving benefits	74
Inactive members:	
Vested inactive members	6
Non-vested inactive members	10
Inactive members active elsewhere in VRS	<u>9</u>
Total inactive members	25
Active members	<u>83</u>
Total covered employees	<u><u>182</u></u>

Contributions

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2016 was 9.04% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016**Note 8-Pension Plan:** (Continued)**Component Unit School Board (nonprofessional):** (Continued)

Contributions (Continued)

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were \$159,999 and \$161,117 for the years ended June 30, 2016 and June 30, 2015, respectively.

Net Pension Liability

The Component Unit School Board's (nonprofessional) net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Changes in Net Pension Liability

	Component Unit-School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 9,997,231	\$ 9,796,414	\$ 200,817
Changes for the year:			
Service cost	\$ 202,249	\$ -	\$ 202,249
Interest	680,454	-	680,454
Differences between expected and actual experience	(233,793)	-	(233,793)
Contributions - employer	-	161,117	(161,117)
Contributions - employee	-	88,820	(88,820)
Net investment income	-	443,017	(443,017)
Benefit payments, including refunds of employee contributions	(552,911)	(552,911)	-
Administrative expenses	-	(6,277)	6,277
Other changes	-	(93)	93
Net changes	\$ 95,999	\$ 133,673	\$ (37,674)
Balances at June 30, 2015	\$ 10,093,230	\$ 9,930,087	\$ 163,143

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016Note 8-Pension Plan: (Continued)Component Unit School Board (nonprofessional): (Continued)**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
Component Unit School Board (nonprofessional)			
Net Pension Liability (Asset)	1,280,913	163,143	(786,345)

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

For the year ended June 30, 2016, the Component Unit School Board (nonprofessional) recognized pension expense of (\$54,109). At June 30, 2016, the Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Component Unit School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 159,099
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	267,857
Employer contributions subsequent to the measurement date	159,999	-
Total	\$ 159,999	\$ 426,956

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016**Note 8-Pension Plan: (Continued)****Component Unit School Board (nonprofessional): (Continued)**

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

\$159,999 reported as deferred outflows of resources related to pensions resulting from the Component Unit School Board's (nonprofessional) contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	<u>Component Unit School Board (nonprofessional)</u>
2017	\$ (179,440)
2018	(179,440)
2019	(114,457)
2020	46,381
Thereafter	-

Component Unit School Board (professional):**Plan Description**

Information related to the plan description, plan contribution requirements, long-term expected rate of return, and discount rate is included in the first section of this note.

Contributions

Each School Division's contractually required contribution rate for the year ended June 30, 2015 was 14.06% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013, adjusted for the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 18.20%, however, it was reduced to 17.64% as a result of the transfer. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the Code of Virginia, as amended the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2016. Contributions to the pension plan from the School Board were \$1,645,809 and \$1,726,000 for the years ended June 30, 2016 and June 30, 2015, respectively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016Note 8-Pension Plan: (Continued)Component Unit School Board (professional): (Continued)**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2016, the school division reported a liability of \$20,215,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2015 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2015 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2015, the school division's proportion was 0.1683% as compared to 0.1606% at June 30, 2014.

For the year ended June 30, 2016, the school division recognized pension expense of \$916,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2016, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Component Unit School Board (professional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 278,000
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	1,238,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	2,166,000
Employer contributions subsequent to the measurement date	1,645,809	-
Total	<u>\$ 1,645,809</u>	<u>\$ 3,682,000</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016**Note 8-Pension Plan: (Continued)**

Component Unit School Board (professional) (Continued)

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

\$1,645,809 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	<u>Component Unit School Board (professional)</u>
2017	\$ (1,113,000)
2018	(1,113,000)
2019	(1,113,000)
2020	(221,000)
Thereafter	(122,000)

Actuarial Assumptions

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 8-Pension Plan: (Continued)

Component Unit School Board (professional): (Continued)

Actuarial Assumptions (Continued)

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 3 years

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset)	29,583,000	20,215,000	12,503,000

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016**Note 8-Pension Plan: (Continued)****Component Unit School Board (professional): (Continued)****Pension Plan Fiduciary Net Position**

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2015 Comprehensive Annual Financial Report (CAFR). A copy of the 2015 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 9-Other Postemployment Benefits - Health Insurance:**A. Plan Description**

The County of Alleghany's Component Unit - School Board administers a single-employer healthcare plan ("the Plan"). The Plan provides for participation by eligible retirees of the School Board and their dependents in the health insurance programs available to School Board employees. The Plan will provide retiring employees the option to continue health insurance offered by the School Board. An eligible School Board retiree may receive this benefit until the retiree is eligible to receive Medicare. To be eligible for this benefit a retiree must have a minimum of 15 years of service with the Virginia Retirement System. The benefits, employee contributions and the employer contributions are governed by the School Board and can be amended through School Board action. The Plan does not issue a publicly available financial report.

B. Funding Policy

The School Board currently pays for post-retirement health care benefits on a pay-as-you-go basis. The School Board currently has 489 employees that are eligible for the program. In addition, for retirees of the School Board, 100 percent of premiums are the responsibility of the retiree. The School Board health insurance rates are blended for retirees and active employees. As such, the liability arising from this plan represents an "implicit subsidy" of retirees' rates. The monthly rates for 2016 were as follows:

Participants	KA Expanded Premium	KA-1000 Premium
Single	\$ 645	\$ 516
Dual	1,193	955
Family	1,742	1,393

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016Note 9-Other Postemployment Benefits - Health Insurance: (Continued)Component Unit: School Board: (Continued)

C. Annual OPEB Cost and Net OPEB Obligation

The Board'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 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Board's annual OPEB cost for the year, the amount contributed to the plan, and changes in the Board's net OPEB obligation to the plan:

Annual required contribution	\$ 84,500
Interest on net OPEB obligation	16,505
Adjustment to annual required contribution	(17,438)
Annual OPEB cost (expense)	<u>\$ 83,567</u>
Contributions made	(81,300)
Increase in net OPEB obligation	<u>\$ 2,267</u>
Net OPEB obligation - beginning of year	471,577
Net OPEB obligation - ending of year	<u>\$ 473,844</u>

The Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2016	\$ 83,567	97%	\$ 473,844
6/30/2015	81,868	99%	471,577
6/30/2014	126,364	62%	471,009

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016Note 9-Other Postemployment Benefits - Health Insurance: (Continued)Component Unit: School Board: (Continued)

D. Funded Status and Funding Progress

The funded status of the Plan as of June 30, 2015 (the most recent actuarial valuation date), was as follows:

Actuarial accrued liability (AAL)	\$ 1,055,800
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability (UAAL)	\$ 1,055,800
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	\$ 13,511,600
UAAL as a percentage of covered payroll	7.81%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far in the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multiyear trend information, as it becomes available, about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

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

In the most recent actuarial valuation, dated June 30, 2015, the projected unit of credit actuarial cost method was used. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility. The actuarial assumptions included: inflation at 3.00%, an investment rate of return at 3.50%, and a health care trend rate of 6.60% graded to 4.50% over 81 years. The UAAL is being amortized over 30 years as a level percentage of payroll on an open basis.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016**Note 10-Capital Assets:**

Capital asset activity for the year ended June 30, 2016 was as follows:

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 3,545,682	\$ 226,700	\$ (220,770)	\$ 3,551,612
Construction in progress	46,041	451,972	-	498,013
Total capital assets not being depreciated	<u>\$ 3,591,723</u>	<u>\$ 678,672</u>	<u>\$ (220,770)</u>	<u>\$ 4,049,625</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 39,300,093	\$ 95,967	\$ (374,987)	\$ 39,021,073
Machinery and equipment	5,141,166	606,784	(380,083)	5,367,867
Total capital assets being depreciated	<u>\$ 44,441,259</u>	<u>\$ 702,751</u>	<u>\$ (755,070)</u>	<u>\$ 44,388,940</u>
Accumulated depreciation:				
Buildings and improvements	\$ (14,498,900)	\$ (1,247,175)	\$ 170,829	\$ (15,575,246)
Machinery and equipment	(3,510,425)	(354,883)	272,182	(3,593,126)
Total accumulated depreciation	<u>\$ (18,009,325)</u>	<u>\$ (1,602,058)</u>	<u>\$ 443,011</u>	<u>\$ (19,168,372)</u>
Total capital assets being depreciated, net	<u>\$ 26,431,934</u>	<u>\$ (899,307)</u>	<u>\$ (312,059)</u>	<u>\$ 25,220,568</u>
Governmental activities capital assets, net	<u>\$ 30,023,657</u>	<u>\$ (220,635)</u>	<u>\$ (532,829)</u>	<u>\$ 29,270,193</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016**Note 10-Capital Assets: (Continued)**

Primary Government: (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 28,980	\$ 60,000	\$ -	\$ 88,980
Construction in progress	244,886	1,256,630	-	1,501,516
Total capital assets not being depreciated	<u>\$ 273,866</u>	<u>\$ 1,316,630</u>	<u>\$ -</u>	<u>\$ 1,590,496</u>
Capital assets, being depreciated:				
Infrastructure	\$ 51,225,639	\$ 1,006,231	\$ -	\$ 52,231,870
Machinery and equipment	634,993	127,915	-	762,908
Total capital assets being depreciated	<u>\$ 51,860,632</u>	<u>\$ 1,134,146</u>	<u>\$ -</u>	<u>\$ 52,994,778</u>
Accumulated depreciation:				
Infrastructure	\$ (10,771,314)	\$ (970,524)	\$ -	\$ (11,741,838)
Machinery and equipment	(239,910)	(38,380)	-	(278,290)
Total accumulated depreciation	<u>\$ (11,011,224)</u>	<u>\$ (1,008,904)</u>	<u>\$ -</u>	<u>\$ (12,020,128)</u>
Total capital assets being depreciated, net	<u>\$ 40,849,408</u>	<u>\$ 125,242</u>	<u>\$ -</u>	<u>\$ 40,974,650</u>
Business-type activities capital assets, net	<u>\$ 41,123,274</u>	<u>\$ 1,441,872</u>	<u>\$ -</u>	<u>\$ 42,565,146</u>

The County received certain assets as part of the settlement with the Town of Clifton Forge. The total value of these assets was \$1,060,000. Additions of \$60,000 of land and \$1,000,000 of infrastructure are included as current year additions.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016**Note 10-Capital Assets: (Continued)**

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

Governmental activities:	
General government administration	\$ 569,992
Judicial administration	13,846
Public safety	203,839
Public works	71,739
Health and welfare	69,839
Education	651,145
Parks, recreation, and culture	21,658
	<hr/>
Total depreciation expense-governmental activities	\$ 1,602,058
Business-type activities:	
Water and sewer fund	\$ 1,008,904
	<hr/>
Total depreciation expense-primary government	\$ 2,610,962

Capital asset activity for the School Board for the year ended June 30, 2016 was as follows:

Discretely Presented Component Unit:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 971,024	\$ -	\$ -	\$ 971,024
Construction in progress	-	15,974	-	15,974
Total capital assets not being depreciated	<hr/> \$ 971,024	<hr/> \$ 15,974	<hr/> \$ -	<hr/> \$ 986,998
Capital assets, being depreciated:				
Buildings and improvements	\$ 12,867,531	\$ 7,850	\$ -	\$ 12,875,381
Machinery and equipment	5,182,787	475,533	-	5,658,320
Total capital assets being depreciated	<hr/> \$ 18,050,318	<hr/> \$ 483,383	<hr/> \$ -	<hr/> \$ 18,533,701
Accumulated depreciation:				
Buildings and improvements	\$ (6,584,994)	\$ (389,060)	\$ -	\$ (6,974,054)
Machinery and equipment	(3,448,581)	(311,332)	-	(3,759,913)
Total accumulated depreciation	<hr/> \$ (10,033,575)	<hr/> \$ (700,392)	<hr/> \$ -	<hr/> \$ (10,733,967)
Total capital assets being depreciated, net	<hr/> \$ 8,016,743	<hr/> \$ (217,009)	<hr/> \$ -	<hr/> \$ 7,799,734
Governmental activities capital assets, net	<hr/> \$ 8,987,767	<hr/> \$ (201,035)	<hr/> \$ -	<hr/> \$ 8,786,732

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016**Note 11-Risk Management:**

The County and its component unit - School Board are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The County and its component unit - School Board participate with other localities in a public entity risk pool for their coverage of general liability and public officials liability with the Virginia Association of Counties group self insurance risk pool and VaCoRP. Each member of each of these risk pools jointly and severally agrees to assume, pay and discharge any liability. The County and its component unit - School Board pay VACO and VaCoRP contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the pools, claims and awards are to be paid. In the event of a loss deficit or depletion of all available excess insurance, the pools may assess all members in the proportion to which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The County and its component unit - School Board continue to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 12-Contingencies:

Federal programs in which the County and its component unit participate were audited in accordance with the provisions of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests, which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

The County provides certain shared services to the City of Covington, Virginia. At year end, the County believes approximately \$512,104 is due to the County from this City in accordance with the shared services agreement. The County has refrained from recording a receivable for this amount as it cannot be reasonably estimated how much (if any) of this amount will be received.

Note 13-Surety Bonds:

Primary Government:

Fidelity & Deposit Company of Maryland - Surety:

Debra N. Byer, Clerk of the Circuit Court	\$ 103,000
Wanda Simpson, Treasurer	400,000
Valerie Bruffey, Commissioner of the Revenue	3,000
Kevin Hall, Sheriff	30,000
All Constitutional Office employees: blanket bond	50,000
Additional Treasurer's Office bond	100,000
All Social Services employees: blanket bond	100,000

Virginia Association of Counties Group Self Insurance Risk Pool:

County Administrator's Employees	\$ 250,000
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 13-Surety Bonds: (Continued)

Component Unit - School Board:

VACoRP:	
All School Board employees: blanket bond	\$ 250,000

Note 14-Litigation:

At June 30, 2016, there were no matters of litigation involving the County which would materially affect the County's financial position should any court decisions on pending matters not be favorable.

Note 15-Adoption of Accounting Principles:

Governmental Accounting Standards Board Statement No. 79, *Certain External Investment Pools and Pool Participants*

The County implemented the provisions of the above Statement during the fiscal year ended June 30, 2016. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. There was no material impact on the County's financial statement as a result of the implementation of Statement No. 79. All required disclosures are located in Note 3.

Governmental Accounting Standards Board Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*

The County early implemented provisions of the above Statement during the fiscal year ended June 30, 2016. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. No restatement was required as a result of this implementation.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 16-Upcoming Pronouncements:

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2017.

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

Required Supplementary Information

County of Alleghany, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 16,415,960	\$ 16,415,960	\$ 16,432,520	\$ 16,560
Other local taxes	2,687,000	2,687,000	2,693,879	6,879
Permits, privilege fees, and regulatory licenses	29,100	29,100	34,172	5,072
Fines and forfeitures	51,400	51,400	37,102	(14,298)
Revenue from the use of money and property	59,820	59,840	63,096	3,256
Charges for services	438,429	438,429	418,634	(19,795)
Miscellaneous	57,810	57,810	150,698	92,888
Recovered costs	1,603,513	1,603,513	1,547,656	(55,857)
Intergovernmental	10,771,970	10,846,890	11,987,313	1,140,423
Total revenues	\$ 32,115,002	\$ 32,189,942	\$ 33,365,070	\$ 1,175,128
EXPENDITURES				
Current:				
General government administration	\$ 2,692,447	\$ 3,154,219	\$ 2,408,993	\$ 745,226
Judicial administration	1,629,939	1,738,658	1,623,127	115,531
Public safety	5,975,904	6,775,537	6,259,092	516,445
Public works	3,055,202	3,736,542	3,196,499	540,043
Health and welfare	4,515,337	4,450,484	4,605,417	(154,933)
Education	11,860,302	11,739,776	11,052,602	687,174
Parks, recreation, and cultural	608,465	4,470,415	1,387,272	3,083,143
Community development	411,708	1,398,179	433,733	964,446
Nondepartmental	207,445	564,502	-	564,502
Capital projects	83,500	290,200	273,257	16,943
Debt service:				
Principal retirement	1,142,739	1,272,495	1,673,800	(401,305)
Interest and other fiscal charges	362,581	362,581	362,581	-
Total expenditures	\$ 32,545,569	\$ 39,953,588	\$ 33,276,373	\$ 6,677,215
Excess (deficiency) of revenues over (under) expenditures	\$ (430,567)	\$ (7,763,646)	\$ 88,697	\$ 7,852,343
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 189,329	\$ 189,329	\$ -	\$ (189,329)
Transfers out	(186,500)	(186,500)	-	186,500
Sale of capital assets	169,165	169,165	192,519	23,354
Total other financing sources (uses)	\$ 171,994	\$ 171,994	\$ 192,519	\$ 20,525
Net change in fund balances	\$ (258,573)	\$ (7,591,652)	\$ 281,216	\$ 7,872,868
Fund balances - beginning	258,573	7,591,652	9,467,115	1,875,463
Fund balances - ending	\$ -	\$ -	\$ 9,748,331	\$ 9,748,331

County of Alleghany, Virginia
Special Law Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016

	Special Law Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 500	\$ 500	\$ 1,106	\$ 606
Miscellaneous	40,500	40,500	52,215	11,715
Total revenues	\$ 41,000	\$ 41,000	\$ 53,321	\$ 12,321
EXPENDITURES				
Current:				
Public safety	\$ 41,000	\$ 41,000	\$ 33,677	\$ 7,323
Total expenditures	\$ 41,000	\$ 41,000	\$ 33,677	\$ 7,323
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 19,644	\$ 19,644
OTHER FINANCING SOURCES (USES)				
Net change in fund balances	\$ -	\$ -	\$ 19,644	\$ 19,644
Fund balances - beginning	-	-	200,899	200,899
Fund balances - ending	\$ -	\$ -	\$ 220,543	\$ 220,543

County of Alleghany, Virginia
Schedule of OPEB Funding Progress
For the Year Ended June 30, 2016

School Board Retirees Medical Plan

Actuarial Valuation as of (1)	Actuarial Value of Assets (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded AAL (UAAL) (3) - (2) (4)	Funded Ratio (2)/(3) (5)	Covered Payroll (6)	UAAL as a % of Covered Payroll (4)/(6) (7)
June 30, 2015	\$ -	\$ 1,055,800	\$ 1,055,800	0.00%	\$ 13,511,600	7.81%
June 30, 2013	-	1,531,600	1,531,600	0.00%	15,373,600	9.96%
June 30, 2011	-	1,588,200	1,588,200	0.00%	15,818,400	10.04%

County of Alleghany, Virginia
Schedule of Employer's Proportionate Share of the Net Pension Liability
June 30, 2016

Date (1)	Proportion of the Net Pension Liability (NPL) (2)	Proportionate Share of the NPL (3)	Covered Payroll (4)	Proportionate Share of the NPL as a Percentage of Covered Payroll (3)/(4) (5)	Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (6)
Primary Government - County Retirement Plan					
2015	99.6400%	\$ 6,769,225	\$ 6,838,216	98.99%	80.70%
2014	99.6400%	6,554,832	6,909,250	94.87%	80.72%
Component Unit School Board (professional)					
2015	0.1606%	\$ 20,215,000	\$ 11,937,215	169.34%	70.68%
2014	0.1683%	20,340,000	12,304,443	165.31%	70.88%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

County of Alleghany, Virginia
Schedule of Components of and Changes in Net Pension Liability and Related Ratios
Component Unit School Board (nonprofessional)
For the Year Ended June 30, 2016

	2015	2014
Total pension liability		
Service cost	\$ 202,249	\$ 205,338
Interest	680,454	657,392
Changes of benefit terms	-	-
Differences between expected and actual experience	(233,793)	-
Changes in assumptions	-	-
Benefit payments, including refunds of employee contributions	(552,911)	(513,630)
Net change in total pension liability	\$ 95,999	\$ 349,100
Total pension liability - beginning	9,997,231	9,648,131
Total pension liability - ending (a)	<u>\$ 10,093,230</u>	<u>\$ 9,997,231</u>
Plan fiduciary net position		
Contributions - employer	\$ 161,117	\$ 167,792
Contributions - employee	88,820	89,850
Net investment income	443,017	1,355,703
Benefit payments, including refunds of employee contributions	(552,911)	(513,630)
Administrative expense	(6,277)	(7,457)
Other	(93)	72
Net change in plan fiduciary net position	\$ 133,673	\$ 1,092,330
Plan fiduciary net position - beginning	9,796,414	8,704,084
Plan fiduciary net position - ending (b)	<u>\$ 9,930,087</u>	<u>\$ 9,796,414</u>
School division's net pension liability - ending (a) - (b)	\$ 163,143	\$ 200,817
Plan fiduciary net position as a percentage of the total pension liability	98.38%	97.99%
Covered payroll	\$ 1,794,106	\$ 1,800,159
School Division's net pension liability as a percentage of covered payroll	9.09%	11.16%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

County of Alleghany, Virginia
Schedule of Employer Contributions
For the Year Ended June 30, 2016

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2016	\$ 1,002,243	\$ 1,002,243	\$ -	\$ 6,810,268	14.72%
2015	999,546	999,546	-	6,838,216	14.62%
Component Unit School Board (nonprofessional)					
2016	\$ 159,999	\$ 159,999	-	\$ 1,788,428	8.95%
2015	161,117	161,117	-	1,794,106	8.98%
2014	167,792	167,792	-	1,800,159	9.32%
2013	179,312	179,312	-	1,921,890	9.33%
2012	102,371	102,371	-	1,871,505	5.47%
2011	103,401	103,401	-	1,890,329	5.47%
2010	54,792	54,792	-	1,915,803	2.86%
2009	54,725	54,725	-	1,913,469	2.86%
2008	81,061	81,061	-	1,859,192	4.36%
2007	79,837	79,837	-	1,831,134	4.36%
Component Unit School Board (professional)					
2016	\$ 1,645,809	\$ 1,645,809	-	\$ 11,761,955	13.99%
2015	1,726,000	1,726,000	-	11,937,215	14.46%
2014	1,434,698	1,434,698	-	12,304,443	11.66%
2013	1,532,448	1,532,448	-	13,142,779	11.66%
2012	832,414	832,414	-	13,150,300	6.33%
2011	519,276	519,276	-	13,213,130	3.93%
2010	896,563	896,563	-	14,367,997	6.24%
2009	1,282,735	1,282,735	-	14,559,989	8.81%
2008	1,452,951	1,452,951	-	14,106,320	10.30%
2007	1,251,220	1,251,220	-	13,600,217	9.20%

Current year contributions are from County records and prior year contributions are from the VRS actuarial valuation performed each year.

Schedule is intended to show information for 10 years. Prior to 2015 the County information reported in the County's report included participants that are not reported in the County's report. Therefore, no additional data is currently available for the County.

County of Alleghany, Virginia
Notes to Required Supplementary Information
For the Year Ended June 30, 2016

In 2015, Covered Employee Payroll (as defined by GASB 68) included the total payroll for employees covered under the pension plan whether that payroll is subject to pension coverage or not. This definition was modified in GASB Statement No. 82 and now is the payroll on which contributions to a pension plan are based. The ratios presented use the same measure.

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

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

Largest 10 - Non-LEOS:

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

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

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

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

All Others (Non 10 Largest) - LEOS:

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

Component Unit School Board - Professional Employees

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

Other Supplementary Information

FIDUCIARY FUNDS

Friends of Youth - The Friends of Youth fund accounts for funds belonging to the youth in the area for health and welfare purposes.

Human and Leisure - The Human and Leisure fund accounts for funds from patrons for prepayments of recreational activities.

Humane Society Capital Improvements - The Humane Society Capital Improvements fund accounts for funds held in a fiduciary capacity for the Humane Society for capital improvements.

Jackson River Vocational Center - The Jackson River Vocational Center fund accounts for funds held in a fiduciary capacity for the Jackson River Vocational Center.

Covington Holding Account - The Covington Holding Account fund accounts for those funds collected by the County for the City of Covington.

Special Welfare - The Special Welfare fund accounts for funds belonging to individuals entrusted to the local social services agency, such as foster care children.

United Fire and Rescue Association - The United Fire and Rescue fund accounts for funds held for local fire and rescue agencies.

Alleghany Highlands Economic Development Corporation - The Alleghany Highlands Economic Development Corporation fund accounts for funds held in a fiduciary capacity for the Alleghany Highlands Economic Development Corporation.

County of Allegheny, Virginia
Combining Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

		Agency Funds							Allegheny Highlands Economic Development Corporation		Total	
		Friends of Youth	Human & Leisure Service	Humane Society Capital Improvements	Jackson River Vocational Center	Special Welfare	Covington Holding Account	United Fire & Rescue Association				
ASSETS	Cash and cash equivalents	\$ 3,468	\$ 793	\$ 5,131	\$ 306,619	\$ 49	\$ 19,946	\$ 493,745	\$ 64,811	\$ 894,562		
	Total assets	\$ 3,468	\$ 793	\$ 5,131	\$ 306,619	\$ 49	\$ 19,946	\$ 493,745	\$ 64,811	\$ 894,562		
LIABILITIES	Amounts held for AHEDC	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 64,811	\$ 64,811		
	Amounts held for social services clients	-	-	-	-	49	-	-	-	-		49
	Amounts held for Friends of Youth	3,468	-	-	-	-	-	-	-	-		3,468
	Amounts held for Human and Leisure activity	-	793	-	-	-	-	-	-	-		793
	Amounts held for Jackson River Vocational Center	-	-	-	306,619	-	-	-	-	-		306,619
	Amounts held for United Fire and Rescue Association	-	-	-	-	-	-	493,745	-	-		493,745
	Amounts held for other localities	-	-	-	-	-	19,946	-	-	-		19,946
	Amounts held for Humane Society	-	-	5,131	-	-	-	-	-	-		5,131
	Total liabilities	\$ 3,468	\$ 793	\$ 5,131	\$ 306,619	\$ 49	\$ 19,946	\$ 493,745	\$ 64,811	\$ 894,562		

DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD

MAJOR GOVERNMENTAL FUNDS

School Operating Fund - The School Operating Fund accounts for and reports the operations of the County's school system. Financing is provided by the State and Federal governments as well as contributions from the General Fund.

County of Alleghany, Virginia
Combining Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2016

	School Operating Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 3,585,320	\$ 190,327	\$ 3,775,647
Cash in custody of others	381,271	-	381,271
Receivables (net of allowance for uncollectibles):			
Accounts receivable	57,847	30,049	87,896
Due from other funds	-	20,813	20,813
Due from primary government	1,825,269	-	1,825,269
Due from other governmental units	378,301	5,833	384,134
Inventories	12,454	-	12,454
Prepaid items	432,242	-	432,242
Total assets	<u>\$ 6,672,704</u>	<u>\$ 247,022</u>	<u>\$ 6,919,726</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 129,890	\$ 3,278	\$ 133,168
Accrued liabilities	1,912,434	27,800	1,940,234
Due to other funds	20,813	-	20,813
Total liabilities	<u>\$ 2,063,137</u>	<u>\$ 31,078</u>	<u>\$ 2,094,215</u>
Fund balance:			
Nonspendable	\$ 444,696	\$ -	\$ 444,696
Restricted for the school food program	381,271	-	381,271
Committed	3,783,600	215,944	3,999,544
Total fund balances	<u>\$ 4,609,567</u>	<u>\$ 215,944</u>	<u>\$ 4,825,511</u>
Total liabilities and fund balances	<u>\$ 6,672,704</u>	<u>\$ 247,022</u>	<u>\$ 6,919,726</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:			
Total fund balances per above			\$ 4,825,511
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
Land		\$ 971,024	
Buildings and improvements		5,901,327	
Machinery and equipment		1,898,407	
Construction in progress		<u>15,974</u>	8,786,732
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.			
Items related to measurement of net pension liability			(4,108,956)
Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds.			
			1,805,808
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.			
Compensated absences		\$ (168,561)	
Net OPEB obligation		(473,844)	
Net pension liability		<u>(20,378,143)</u>	(21,020,548)
Net position of governmental activities			<u>\$ (9,711,453)</u>

County of Alleghany, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2016

	School Operating Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Revenue from the use of money and property	\$ 8,748	\$ -	\$ 8,748
Charges for services	361,937	91,443	453,380
Miscellaneous	333,539	257,508	591,047
Recovered costs	127,229	-	127,229
Intergovernmental	25,336,878	88,093	25,424,971
Total revenues	<u>\$ 26,168,331</u>	<u>\$ 437,044</u>	<u>\$ 26,605,375</u>
EXPENDITURES			
Current:			
Education	\$ 25,841,981	\$ 421,316	\$ 26,263,297
Capital projects	147,996	-	147,996
Total expenditures	<u>\$ 25,989,977</u>	<u>\$ 421,316</u>	<u>\$ 26,411,293</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 178,354</u>	<u>\$ 15,728</u>	<u>\$ 194,082</u>
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	\$ 830	\$ -	\$ 830
Total other financing sources (uses)	<u>\$ 830</u>	<u>\$ -</u>	<u>\$ 830</u>
Net change in fund balances	\$ 179,184	\$ 15,728	\$ 194,912
Fund balances - beginning	4,430,383	200,216	4,630,599
Fund balances - ending	<u>\$ 4,609,567</u>	<u>\$ 215,944</u>	<u>\$ 4,825,511</u>
Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:			
Net change in fund balances - total governmental funds - per above			\$ 194,912
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 the depreciation exceeded capital outlays in the current period.			
Capital outlay		\$ 499,357	
Depreciation expense		<u>(700,392)</u>	(201,035)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Change in deferred inflows of resources related to pensions			1,172,552
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.			
Change in compensated absences		\$ 2,078	
Change in net OPEB obligation		(2,267)	
Change in net pension liability		162,674	
Change in deferred outflows of resources related to pensions		<u>(80,086)</u>	82,399
Change in net position of governmental activities			<u>\$ 1,248,828</u>

County of Alleghany, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2016

	School Operating Fund			Variance with Final Budget Positive Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 900	\$ 900	\$ 8,748	\$ 7,848
Charges for services	499,930	499,930	361,937	(137,993)
Miscellaneous	95,176	95,176	333,539	238,363
Recovered costs	86,990	86,990	127,229	40,239
Intergovernmental	26,053,226	26,053,226	25,336,878	(716,348)
Total revenues	\$ 26,736,222	\$ 26,736,222	\$ 26,168,331	\$ (567,891)
EXPENDITURES				
Current:				
Education	\$ 26,331,222	\$ 26,331,222	\$ 25,841,981	\$ 489,241
Capital projects	410,000	410,000	147,996	262,004
Total expenditures	\$ 26,741,222	\$ 26,741,222	\$ 25,989,977	\$ 751,245
Excess (deficiency) of revenues over (under) expenditures	\$ (5,000)	\$ (5,000)	\$ 178,354	\$ 183,354
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	\$ 5,000	\$ 5,000	\$ 830	\$ (4,170)
Total other financing sources (uses)	\$ 5,000	\$ 5,000	\$ 830	\$ (4,170)
Net change in fund balances	\$ -	\$ -	\$ 179,184	\$ 179,184
Fund balances - beginning	-	-	4,430,383	4,430,383
Fund balances - ending	\$ -	\$ -	\$ 4,609,567	\$ 4,609,567

County of Alleghany, Virginia
Combining Balance Sheet
Nonmajor Special Revenue Funds - Discretely Presented Component Unit - School Board
June 30, 2016

	Alleghany Highlands <u>Fund</u>	Governor's School <u>Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 56,998	\$ 133,329	\$ 190,327
Receivables (net of allowance for uncollectibles):			
Accounts receivable	30,049	-	30,049
Due from other funds	20,813	-	20,813
Due from other governmental units	-	5,833	5,833
Total assets	<u>\$ 107,860</u>	<u>\$ 139,162</u>	<u>\$ 247,022</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accrued liabilities	\$ 27,800	\$ -	\$ 27,800
Accounts payable	2,993	285	3,278
Total liabilities	<u>\$ 30,793</u>	<u>\$ 285</u>	<u>\$ 31,078</u>
Fund balances:			
Committed	\$ 77,067	\$ 138,877	\$ 215,944
Total fund balances	<u>77,067</u>	<u>138,877</u>	<u>215,944</u>
Total liabilities and fund balances	<u>\$ 107,860</u>	<u>\$ 139,162</u>	<u>\$ 247,022</u>

County of Alleghany, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2016

	Alleghany Highlands <u>Fund</u>	Governor's School <u>Fund</u>	<u>Total</u>
REVENUES			
Charges for services	\$ -	\$ 91,443	\$ 91,443
Miscellaneous	257,508	-	257,508
Intergovernmental	-	88,093	88,093
Total revenues	<u>\$ 257,508</u>	<u>\$ 179,536</u>	<u>\$ 437,044</u>
EXPENDITURES			
Current:			
Education	\$ 259,159	\$ 162,157	\$ 421,316
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,651)</u>	<u>\$ 17,379</u>	<u>\$ 15,728</u>
Net change in fund balances	\$ (1,651)	\$ 17,379	\$ 15,728
Fund balances - beginning	78,718	121,498	200,216
Fund balances - ending	<u><u>\$ 77,067</u></u>	<u><u>\$ 138,877</u></u>	<u><u>\$ 215,944</u></u>

County of Alleghany, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

Schedule 1
Page 1 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 7,045,988	\$ 7,045,988	\$ 7,009,759	\$ (36,229)
Real and personal public service corporation taxes	1,231,622	1,231,622	1,246,986	15,364
Personal property taxes	2,097,000	2,097,000	2,113,644	16,644
Mobile home taxes	25,500	25,500	24,275	(1,225)
Machinery and tools taxes	5,872,650	5,872,650	5,876,975	4,325
Penalties	93,200	93,200	100,212	7,012
Interest	50,000	50,000	60,669	10,669
Total general property taxes	<u>\$ 16,415,960</u>	<u>\$ 16,415,960</u>	<u>\$ 16,432,520</u>	<u>\$ 16,560</u>
Other local taxes:				
Local sales and use taxes	\$ 805,000	\$ 805,000	\$ 820,751	\$ 15,751
Consumers' utility taxes	280,000	280,000	307,762	27,762
Probate taxes	2,000	2,000	4,049	2,049
Business license taxes	385,000	385,000	383,405	(1,595)
Utility consumption taxes	220,000	220,000	190,137	(29,863)
Motor vehicle licenses	395,000	395,000	392,485	(2,515)
Taxes on recordation and wills	67,000	67,000	57,636	(9,364)
Hotel and motel room taxes	180,000	180,000	176,726	(3,274)
Restaurant food taxes	353,000	353,000	360,928	7,928
Total other local taxes	<u>\$ 2,687,000</u>	<u>\$ 2,687,000</u>	<u>\$ 2,693,879</u>	<u>\$ 6,879</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 5,500	\$ 5,500	\$ 7,468	\$ 1,968
Land use application fees	500	500	170	(330)
Transfer fees	500	500	526	26
Zoning and subdivision fees	2,000	2,000	1,874	(126)
Erosion and sediment control	600	600	2,472	1,872
Permits and other licenses	20,000	20,000	21,662	1,662
Total permits, privilege fees, and regulatory licenses	<u>\$ 29,100</u>	<u>\$ 29,100</u>	<u>\$ 34,172</u>	<u>\$ 5,072</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 51,400	\$ 51,400	\$ 37,102	\$ (14,298)
Total fines and forfeitures	<u>\$ 51,400</u>	<u>\$ 51,400</u>	<u>\$ 37,102</u>	<u>\$ (14,298)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 54,820	\$ 54,840	\$ 56,661	\$ 1,821
Revenue from use of property	5,000	5,000	6,435	1,435
Total revenue from use of money and property	<u>\$ 59,820</u>	<u>\$ 59,840</u>	<u>\$ 63,096</u>	<u>\$ 3,256</u>
Charges for services:				
Charges for law enforcement and traffic control	\$ 9,304	\$ 9,304	\$ 9,304	\$ -
Charges for courthouse maintenance	15,000	15,000	10,303	(4,697)
Sale of publications and maps	50	50	45	(5)
Charges for gasoline	85,000	85,000	49,905	(35,095)
Charges for Commonwealth's Attorney	3,300	3,300	3,167	(133)
Miscellaneous jail and inmate fees	4,675	4,675	5,085	410
Charges for sanitation and waste removal	225,000	225,000	236,276	11,276
Charges for copies	3,100	3,100	2,702	(398)
Charges for parks and recreation	35,000	35,000	32,933	(2,067)
Charges for law library	4,500	4,500	3,718	(782)

County of Alleghany, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

Schedule 1
Page 2 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services: (Continued)				
Charges for courthouse security	\$ 50,000	\$ 50,000	\$ 56,642	\$ 6,642
Charges for other services	3,500	3,500	8,554	5,054
Total charges for services	\$ 438,429	\$ 438,429	\$ 418,634	\$ (19,795)
Miscellaneous:				
Miscellaneous	\$ 36,190	\$ 36,190	\$ 54,696	\$ 18,506
Donations	18,120	18,120	25,679	7,559
Sale of surplus	3,000	3,000	5,276	2,276
Sale of supplies	500	500	1,297	797
Alleghany Foundation contributions	-	-	63,750	63,750
Total miscellaneous	\$ 57,810	\$ 57,810	\$ 150,698	\$ 92,888
Recovered costs:				
Care of prisoners	\$ 150,000	\$ 150,000	\$ 214,792	\$ 64,792
Co-payment for medical charges	10,000	10,000	13,498	3,498
Program income IPR	385	385	23,006	22,621
LOA County reimbursement	25,577	25,577	17,478	(8,099)
Health department	1,500	1,500	1,500	-
Bath county-jail	60,000	60,000	122,755	62,755
Covington-magistrate, probation	3,800	3,800	3,996	196
Clifton Forge E911	67,817	67,817	67,817	-
Covington-welfare	489,000	489,000	250,075	(238,925)
AHSD resource officer	80,000	80,000	77,357	(2,643)
General government	700,000	700,000	739,593	39,593
General District Court postage	5,000	5,000	5,391	391
Other recovered costs	10,434	10,434	10,398	(36)
Total recovered costs	\$ 1,603,513	\$ 1,603,513	\$ 1,547,656	\$ (55,857)
Total revenue from local sources	\$ 21,343,032	\$ 21,343,052	\$ 21,377,757	\$ 34,705
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 92,500	\$ 92,500	\$ 98,755	\$ 6,255
Mobile home titling tax	10,000	10,000	11,637	1,637
State recordation tax	2,000	2,000	25,518	23,518
Communication taxes	415,000	415,000	400,725	(14,275)
Additional tax on deeds	27,000	27,000	14,883	(12,117)
Personal property tax relief funds	1,610,808	1,610,808	1,610,808	-
Total noncategorical aid	\$ 2,157,308	\$ 2,157,308	\$ 2,162,326	\$ 5,018
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 400,330	\$ 400,330	\$ 403,332	\$ 3,002
Sheriff	2,103,234	2,103,234	2,119,079	15,845
Commissioner of revenue	122,717	122,717	157,923	35,206
Treasurer	106,948	106,948	145,334	38,386
Registrar/electoral board	41,938	41,938	45,154	3,216
Clerk of the Circuit Court	301,792	301,792	377,727	75,935
Total shared expenses	\$ 3,076,959	\$ 3,076,959	\$ 3,248,549	\$ 171,590

County of Alleghany, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

Schedule 1
Page 3 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid:				
Welfare administration and public assistance	\$ 789,958	\$ 789,958	\$ 527,719	\$ (262,239)
Comprehensive services act	928,740	1,003,660	1,569,777	566,117
Wireless E-911 grant	40,000	40,000	44,965	4,965
Drug asset forfeiture revenue	5,000	5,000	5,218	218
Emergency medical services	-	-	74,101	74,101
IPR funds	2,000	2,000	3,069	1,069
Litter control grant	15,000	15,000	16,280	1,280
Fire services grant	35,000	35,000	37,963	2,963
State sales tax	2,385,242	2,385,242	2,389,184	3,942
Library Grant	-	-	11,751	11,751
Hold harmless reversion (actual dist. to shared expenses)	156,229	156,229	-	(156,229)
Criminal Justice Grant	1,500	1,500	-	(1,500)
VITA Grant	9,000	9,000	8,800	(200)
Stormwater grant	5,500	5,500	1,260	(4,240)
Virginia Commission for the Arts grant	5,000	5,000	-	(5,000)
Trail grant	-	-	2,446	2,446
Total other categorical aid	<u>\$ 4,378,169</u>	<u>\$ 4,453,089</u>	<u>\$ 4,692,533</u>	<u>\$ 239,444</u>
Total categorical aid	<u>\$ 7,455,128</u>	<u>\$ 7,530,048</u>	<u>\$ 7,941,082</u>	<u>\$ 411,034</u>
Total revenue from the Commonwealth	<u>\$ 9,612,436</u>	<u>\$ 9,687,356</u>	<u>\$ 10,103,408</u>	<u>\$ 416,052</u>
Revenue from the federal government:				
Payments in lieu of taxes	<u>\$ 80,000</u>	<u>\$ 80,000</u>	<u>\$ 229,735</u>	<u>\$ 149,735</u>
Categorical aid:				
Welfare administration and public assistance	\$ 1,059,534	\$ 1,059,534	\$ 1,292,001	\$ 232,467
State and community highway safety (154 funds)	20,000	20,000	17,800	(2,200)
T-21 trail grant	-	-	344,369	344,369
Total categorical aid	<u>\$ 1,079,534</u>	<u>\$ 1,079,534</u>	<u>\$ 1,654,170</u>	<u>\$ 574,636</u>
Total revenue from the federal government	<u>\$ 1,159,534</u>	<u>\$ 1,159,534</u>	<u>\$ 1,883,905</u>	<u>\$ 724,371</u>
Total General Fund	<u>\$ 32,115,002</u>	<u>\$ 32,189,942</u>	<u>\$ 33,365,070</u>	<u>\$ 1,175,128</u>
Special Revenue Fund:				
Special Law Fund:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 500	\$ 500	\$ 1,106	\$ 606
Total revenue from use of money and property	<u>\$ 500</u>	<u>\$ 500</u>	<u>\$ 1,106</u>	<u>\$ 606</u>

County of Alleghany, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

Schedule 1
Page 4 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Fund: (Continued)				
Special Law Fund: (Continued)				
Miscellaneous:				
Vending machine collections	\$ 30,500	\$ 30,500	\$ 30,481	\$ (19)
Jail commissary collections	10,000	10,000	21,734	11,734
Total miscellaneous	\$ 40,500	\$ 40,500	\$ 52,215	\$ 11,715
 Total revenue from local sources	 \$ 41,000	 \$ 41,000	 \$ 53,321	 \$ 12,321
 Total Special Law Fund	 \$ 41,000	 \$ 41,000	 \$ 53,321	 \$ 12,321
 Total Primary Government	 \$ 32,156,002	 \$ 32,230,942	 \$ 33,418,391	 \$ 1,187,449
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 900	\$ 900	\$ 8,748	\$ 7,848
Total revenue from use of money and property	\$ 900	\$ 900	\$ 8,748	\$ 7,848
 Charges for services:				
Charges for education	\$ 15,478	\$ 15,478	\$ 12,875	\$ (2,603)
Cafeteria sales	470,452	470,452	336,672	(133,780)
Use of buses and facilities	14,000	14,000	12,390	(1,610)
Total charges for services	\$ 499,930	\$ 499,930	\$ 361,937	\$ (137,993)
 Miscellaneous:				
Other miscellaneous	\$ 95,176	\$ 95,176	\$ 333,539	\$ 238,363
Total miscellaneous	\$ 95,176	\$ 95,176	\$ 333,539	\$ 238,363
 Recovered costs:				
Erate	\$ 69,990	\$ 69,990	\$ 112,307	\$ 42,317
Other recovered costs	17,000	17,000	14,922	(2,078)
Total recovered costs	\$ 86,990	\$ 86,990	\$ 127,229	\$ 40,239
 Total revenue from local sources	 \$ 682,996	 \$ 682,996	 \$ 831,453	 \$ 148,457
 Intergovernmental:				
Revenues from local governments:				
Contribution from County of Alleghany, Virginia	\$ 11,860,302	\$ 11,860,302	\$ 11,043,372	\$ (816,930)
Total revenues from local governments	\$ 11,860,302	\$ 11,860,302	\$ 11,043,372	\$ (816,930)
 Categorical aid:				
Basic school aid	\$ 7,742,251	\$ 7,742,251	\$ 7,763,917	\$ 21,666
Remedial summer education	41,355	41,355	39,525	(1,830)
Regular foster care	98,901	98,901	65,073	(33,828)
GED prep program	22,859	22,859	32,943	10,084
Gifted and talented	77,358	77,358	77,474	116
Remedial education	268,283	268,283	268,685	402
Special education	1,045,150	1,045,150	1,046,719	1,569
Textbook payment	51,912	51,912	158,607	106,695

County of Alleghany, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

Schedule 1
Page 5 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Vocational standards of quality payments	\$ 189,279	\$ 189,279	\$ 189,563	\$ 284
Social security fringe benefits	474,021	474,021	474,732	711
Retirement fringe benefits	934,875	934,875	936,278	1,403
Governor's school grant	79,813	79,813	-	(79,813)
State lottery payments	106,457	106,457	-	(106,457)
Early reading intervention	50,451	50,451	50,451	-
School food	13,463	13,463	12,670	(793)
Salary supplement	-	-	132,561	132,561
Special education - foster children	-	-	17,201	17,201
Homebound	12,173	12,173	19,255	7,082
At risk payments	214,937	214,937	215,475	538
Board certifications	-	-	15,000	15,000
Preschool pilot program	213,671	213,671	204,579	(9,092)
Technology	282,000	282,000	164,433	(117,567)
Standards of Learning algebra readiness	32,076	32,076	29,553	(2,523)
Group life insurance	29,626	29,626	29,671	45
Career and Technical Education	39,878	39,878	44,388	4,510
Project graduation	-	-	3,011	3,011
Mentor teacher program	2,033	2,033	2,050	17
Primary class size	267,936	267,936	269,017	1,081
English as a second language	7,056	7,056	3,293	(3,763)
Other state funds	-	-	5,306	5,306
Total categorical aid	<u>\$ 12,297,814</u>	<u>\$ 12,297,814</u>	<u>\$ 12,271,430</u>	<u>\$ (26,384)</u>
Total revenue from the Commonwealth	<u>\$ 12,297,814</u>	<u>\$ 12,297,814</u>	<u>\$ 12,271,430</u>	<u>\$ (26,384)</u>
Revenue from the federal government:				
Categorical aid:				
Federal land use	\$ 127,633	\$ 127,633	\$ 131,739	\$ 4,106
Title I	483,500	483,500	497,636	14,136
Title VI-B, special education flow-through	540,826	540,826	547,034	6,208
Title VI-B, special education pre-school	19,772	19,772	18,830	(942)
Vocational education	39,092	39,092	39,154	62
Title II - Part A	108,837	108,837	146,410	37,573
School food program	567,450	567,450	633,950	66,500
Adult education	8,000	8,000	7,118	(882)
AP test fees	-	-	205	205
Total categorical aid	<u>\$ 1,895,110</u>	<u>\$ 1,895,110</u>	<u>\$ 2,022,076</u>	<u>\$ 126,966</u>
Total revenue from the federal government	<u>\$ 1,895,110</u>	<u>\$ 1,895,110</u>	<u>\$ 2,022,076</u>	<u>\$ 126,966</u>
Total School Operating Fund	<u>\$ 26,736,222</u>	<u>\$ 26,736,222</u>	<u>\$ 26,168,331</u>	<u>\$ (567,891)</u>
Nonmajor Special Revenue funds:				
Alleghany Highlands Fund:				
Miscellaneous:				
Other miscellaneous	\$ -	\$ -	\$ 257,508	\$ 257,508
Total miscellaneous	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 257,508</u>	<u>\$ 257,508</u>
Total revenue from local sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 257,508</u>	<u>\$ 257,508</u>
Total Alleghany Highlands Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 257,508</u>	<u>\$ 257,508</u>

County of Alleghany, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

Schedule 1
Page 6 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
Nonmajor Special Revenue funds: (Continued)				
Governor's School Fund:				
Revenue from local sources:				
Charges for services:				
Tuition	\$ -	\$ -	\$ 91,443	\$ 91,443
Total charges for services	\$ -	\$ -	\$ 91,443	\$ 91,443
Total revenue from local sources	\$ -	\$ -	\$ 91,443	\$ 91,443
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Governor's school grant	\$ -	\$ -	\$ 88,093	\$ 88,093
Total categorical aid	\$ -	\$ -	\$ 88,093	\$ 88,093
Total revenue from the Commonwealth	\$ -	\$ -	\$ 88,093	\$ 88,093
Total Governor's School Fund	\$ -	\$ -	\$ 179,536	\$ 179,536
Total Discretely Presented Component Unit - School Board	\$ 26,736,222	\$ 26,736,222	\$ 26,605,375	\$ (130,847)

County of Alleghany, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

Schedule 2
Page 1 of 6

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 74,114	\$ 74,984	\$ 70,490	\$ 4,494
Total legislative	\$ 74,114	\$ 74,984	\$ 70,490	\$ 4,494
General and financial administration:				
County administrator	\$ 947,154	\$ 1,069,942	\$ 858,179	\$ 211,763
Personnel	17,100	18,459	17,145	1,314
Legal services	60,000	90,363	90,363	-
Special legal services	5,000	6,629	6,629	-
Commissioner of the revenue	368,437	386,330	383,324	3,006
Reassessment	50,000	191,444	-	191,444
Automotive motor pool	430,259	481,640	388,339	93,301
Treasurer	394,280	398,149	394,281	3,868
Audit services	52,200	56,198	56,198	-
Technology department	8,100	79,176	8,000	71,176
Total general and financial administration	\$ 2,332,530	\$ 2,778,330	\$ 2,202,458	\$ 575,872
Board of elections:				
Registrar	\$ 84,456	\$ 97,058	\$ 97,048	\$ 10
Electoral board and officials	201,347	203,847	38,997	164,850
Total board of elections	\$ 285,803	\$ 300,905	\$ 136,045	\$ 164,860
Total general government administration	\$ 2,692,447	\$ 3,154,219	\$ 2,408,993	\$ 745,226
Judicial administration:				
Courts:				
Circuit court	\$ 65,828	\$ 83,860	\$ 73,512	\$ 10,348
General district court	23,519	24,045	19,865	4,180
Special magistrates	2,250	2,150	1,222	928
Sheriff	506,614	524,152	460,040	64,112
Law library	4,500	4,500	3,683	817
Clerk of the circuit court	462,870	497,631	470,445	27,186
Total courts	\$ 1,065,581	\$ 1,136,338	\$ 1,028,767	\$ 107,571
Commonwealth's attorney:				
Commonwealth's attorney	\$ 564,358	\$ 602,320	\$ 594,360	\$ 7,960
Total commonwealth's attorney	\$ 564,358	\$ 602,320	\$ 594,360	\$ 7,960
Total judicial administration	\$ 1,629,939	\$ 1,738,658	\$ 1,623,127	\$ 115,531
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,898,873	\$ 2,249,961	\$ 1,835,429	\$ 414,532
Crime prevention	18,120	19,654	24,796	(5,142)
National forest patrol	8,061	8,061	-	8,061
DARE program	52,396	53,011	49,797	3,214
School resource officer	102,946	106,487	96,695	9,792

County of Alleghany, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

Schedule 2
Page 2 of 6

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Law enforcement and traffic control: (Continued)				
Radar transportation	\$ -	\$ 15,204	\$ 15,204	\$ -
Drug asset forfeiture	200	200	3,240	(3,040)
Total law enforcement and traffic control	<u>\$ 2,080,596</u>	<u>\$ 2,452,578</u>	<u>\$ 2,025,161</u>	<u>\$ 427,417</u>
Fire and rescue services:				
Fire departments	\$ 74,000	\$ 74,000	\$ 73,909	\$ 91
Volunteer fire departments	327,500	327,965	327,844	121
Emergency services	300	18,800	244	18,556
Ambulance and rescue services	343,575	343,575	336,129	7,446
Sara III Emergency Council	250	250	100	150
United fire and rescue association	308,700	340,346	327,081	13,265
Total fire and rescue services	<u>\$ 1,054,325</u>	<u>\$ 1,104,936</u>	<u>\$ 1,065,307</u>	<u>\$ 39,629</u>
Correction and detention:				
Sheriff-correction and detention	\$ 2,008,120	\$ 2,341,848	\$ 2,280,074	\$ 61,774
Probation	3,300	3,300	3,329	(29)
VJCCA grant	-	3,617	3,617	-
Total correction and detention	<u>\$ 2,011,420</u>	<u>\$ 2,348,765</u>	<u>\$ 2,287,020</u>	<u>\$ 61,745</u>
Inspections:				
Building	\$ 120,622	\$ 129,487	\$ 127,664	\$ 1,823
Total inspections	<u>\$ 120,622</u>	<u>\$ 129,487</u>	<u>\$ 127,664</u>	<u>\$ 1,823</u>
Other protection:				
Animal control	\$ 71,668	\$ 69,715	\$ 69,470	\$ 245
Animal protection	101,354	102,318	101,354	964
Medical examiner	300	300	220	80
Courthouse security	80,200	80,200	103,599	(23,399)
E-911	455,419	487,238	479,297	7,941
Total other protection	<u>\$ 708,941</u>	<u>\$ 739,771</u>	<u>\$ 753,940</u>	<u>\$ (14,169)</u>
Total public safety	<u>\$ 5,975,904</u>	<u>\$ 6,775,537</u>	<u>\$ 6,259,092</u>	<u>\$ 516,445</u>
Public works:				
Sanitation and waste removal:				
Refuse collection	\$ 774,325	\$ 1,048,182	\$ 915,930	\$ 132,252
Refuse disposal	1,279,897	1,354,991	1,174,627	180,364
General engineering	54,168	103,491	72,047	31,444
Multiflora Rose program	-	2,929	2,923	6
Storm water management	46,163	59,355	5,491	53,864
Storm damage	-	4,166	4,166	-
Recycling program	73,196	73,196	71,097	2,099
Total sanitation and waste removal	<u>\$ 2,227,749</u>	<u>\$ 2,646,310</u>	<u>\$ 2,246,281</u>	<u>\$ 400,029</u>

County of Alleghany, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

Schedule 2
Page 3 of 6

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public works: (Continued)				
Maintenance of general buildings and grounds:				
General maintenance	\$ 208,520	\$ 289,188	\$ 249,391	\$ 39,797
General properties	618,933	801,044	700,827	100,217
Total maintenance of general buildings and grounds	<u>\$ 827,453</u>	<u>\$ 1,090,232</u>	<u>\$ 950,218</u>	<u>\$ 140,014</u>
Total public works	<u>\$ 3,055,202</u>	<u>\$ 3,736,542</u>	<u>\$ 3,196,499</u>	<u>\$ 540,043</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 161,917	\$ 167,114	\$ 152,921	\$ 14,193
Total health	<u>\$ 161,917</u>	<u>\$ 167,114</u>	<u>\$ 152,921</u>	<u>\$ 14,193</u>
Mental health and mental retardation:				
Community services board	\$ -	\$ 100,000	\$ 100,000	\$ -
Total mental health and mental retardation	<u>\$ -</u>	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ -</u>
Welfare:				
Administration	\$ 1,932,585	\$ 1,813,559	\$ 1,776,448	\$ 37,111
Public assistance	655,000	432,913	398,624	34,289
Emergency repair fund	5,029	5,029	5,029	-
Indoor plumbing rehabilitation fund	405	45,905	-	45,905
Free clinic	-	9,000	4,500	4,500
TAP	-	5,775	5,775	-
Tax relief for the elderly	140,000	140,000	131,722	8,278
Safehomes, Inc.	-	5,000	5,000	-
Board of public welfare	3,600	3,600	3,415	185
Comprehensive services	1,215,047	1,663,255	1,991,300	(328,045)
Feeding America	-	2,500	2,500	-
Other welfare	-	9,112	9,112	-
CDBG-housing boiling springs	401,754	47,722	19,071	28,651
Total welfare	<u>\$ 4,353,420</u>	<u>\$ 4,183,370</u>	<u>\$ 4,352,496</u>	<u>\$ (169,126)</u>
Total health and welfare	<u>\$ 4,515,337</u>	<u>\$ 4,450,484</u>	<u>\$ 4,605,417</u>	<u>\$ (154,933)</u>
Education:				
Other instructional costs:				
Contributions to Dabney S. Lancaster Community College	\$ -	\$ 9,230	\$ 9,230	\$ -
Contribution to County School Board	11,860,302	11,730,546	11,043,372	687,174
Total education	<u>\$ 11,860,302</u>	<u>\$ 11,739,776</u>	<u>\$ 11,052,602</u>	<u>\$ 687,174</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Parks and recreation	\$ 589,664	\$ 788,135	\$ 591,756	\$ 196,379
Scenic trail	18,801	3,503,819	617,055	2,886,764
Clifton little league	-	9,000	9,000	-
Alleghany Highlands youth sports	-	9,000	9,000	-
Iron gate recreation	-	2,000	2,000	-
Total parks and recreation	<u>\$ 608,465</u>	<u>\$ 4,311,954</u>	<u>\$ 1,228,811</u>	<u>\$ 3,083,143</u>

County of Alleghany, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

Schedule 2
Page 4 of 6

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Parks, recreation, and cultural: (Continued)				
Cultural enrichment:				
Alleghany concert series	\$ -	\$ 5,000	\$ 5,000	\$ -
Alleghany crafts	-	1,800	1,800	-
Arts grant	-	5,000	5,000	-
Total cultural enrichment	\$ -	\$ 11,800	\$ 11,800	\$ -
Library:				
Contribution to regional library	\$ -	\$ 124,436	\$ 124,436	\$ -
Contribution to Clifton library	-	22,225	22,225	-
Total library	\$ -	\$ 146,661	\$ 146,661	\$ -
Total parks, recreation, and cultural	\$ 608,465	\$ 4,470,415	\$ 1,387,272	\$ 3,083,143
Community development:				
Planning and community development:				
Community development	\$ 104,037	\$ 104,037	\$ 94,047	\$ 9,990
Economic development	150,049	1,092,255	150,638	941,617
Boards and commissions	10,223	20,488	14,913	5,575
Tourism initiative	108,000	108,000	108,000	-
Jackson River Enterprises	-	15,000	15,000	-
Clifton Armory contribution	-	3,500	3,500	-
Clifton Forge stars and stripes	-	5,000	5,000	-
Chamber Indust.	-	8,000	8,000	-
Total planning and community development	\$ 372,309	\$ 1,356,280	\$ 399,098	\$ 957,182
Environmental management:				
Contribution to soil and water district	\$ -	\$ 2,500	\$ 2,500	\$ -
Total environmental management	\$ -	\$ 2,500	\$ 2,500	\$ -
Cooperative extension program:				
Extension office	\$ 39,399	\$ 39,399	\$ 32,135	\$ 7,264
Total cooperative extension program	\$ 39,399	\$ 39,399	\$ 32,135	\$ 7,264
Total community development	\$ 411,708	\$ 1,398,179	\$ 433,733	\$ 964,446
Nondepartmental:				
Contingencies	\$ 207,445	\$ 564,502	\$ -	\$ 564,502
Total nondepartmental	\$ 207,445	\$ 564,502	\$ -	\$ 564,502
Capital projects:				
Other capital projects	\$ 20,000	\$ 223,500	\$ 210,367	\$ 13,133
Jail Improvements	63,500	66,700	62,890	3,810
Total capital projects	\$ 83,500	\$ 290,200	\$ 273,257	\$ 16,943
Debt service:				
Principal retirement	\$ 1,142,739	\$ 1,272,495	\$ 1,673,800	\$ (401,305)
Interest and other fiscal charges	362,581	362,581	362,581	-
Total debt service	\$ 1,505,320	\$ 1,635,076	\$ 2,036,381	\$ (401,305)
Total General Fund	\$ 32,545,569	\$ 39,953,588	\$ 33,276,373	\$ 6,677,215

County of Alleghany, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

Schedule 2
Page 5 of 6

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Fund:				
Special Law Fund:				
Public safety:				
Correction and detention:				
Sheriff	\$ 41,000	\$ 41,000	\$ 33,677	\$ 7,323
Total public safety	\$ 41,000	\$ 41,000	\$ 33,677	\$ 7,323
Total Special Law Fund	\$ 41,000	\$ 41,000	\$ 33,677	\$ 7,323
Total Primary Government	\$ 32,586,569	\$ 39,994,588	\$ 33,310,050	\$ 6,684,538
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Administration of schools:				
Administration	\$ 1,768,823	\$ 1,768,823	\$ 1,795,873	\$ (27,050)
Total administration of schools	\$ 1,768,823	\$ 1,768,823	\$ 1,795,873	\$ (27,050)
Instruction costs:				
Instruction costs	\$ 19,025,447	\$ 19,025,447	\$ 18,428,126	\$ 597,321
Total instruction costs	\$ 19,025,447	\$ 19,025,447	\$ 18,428,126	\$ 597,321
Operating costs:				
Attendance and health services				
Pupil transportation	\$ 1,806,305	\$ 1,806,305	\$ 1,916,026	\$ (109,721)
Operation and maintenance of school plant	2,724,047	2,724,047	2,680,178	43,869
School food and other non-instructional costs ⁽¹⁾	1,006,600	1,006,600	1,021,778	(15,178)
Total operating costs	\$ 5,536,952	\$ 5,536,952	\$ 5,617,982	\$ (81,030)
Total education	\$ 26,331,222	\$ 26,331,222	\$ 25,841,981	\$ 489,241
Capital projects:				
School capital projects	\$ 410,000	\$ 410,000	\$ 147,996	\$ 262,004
Total School Operating Fund	\$ 26,741,222	\$ 26,741,222	\$ 25,989,977	\$ 751,245

⁽¹⁾ Includes Cafeteria Funds held by the School System not subject to appropriation.

Nonmajor Special Revenue funds:

Alleghany Highlands Fund:

Education:

 Instruction costs:

 Instruction costs

 Total instruction costs

 Total education

 Total Alleghany Highlands Fund

\$ -	\$ -	\$ 259,159	\$ (259,159)
\$ -	\$ -	\$ 259,159	\$ (259,159)
\$ -	\$ -	\$ 259,159	\$ (259,159)
\$ -	\$ -	\$ 259,159	\$ (259,159)

County of Alleghany, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

Schedule 2
Page 6 of 6

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
Nonmajor Special Revenue funds: (Continued)				
Governor's School Fund:				
Education:				
Instruction costs:				
Instruction costs	\$ -	\$ -	\$ 162,157	\$ (162,157)
Total education	\$ -	\$ -	\$ 162,157	\$ (162,157)
Total Governor's School Fund	\$ -	\$ -	\$ 162,157	\$ (162,157)
Total Component Unit - School Board	\$ 26,741,222	\$ 26,741,222	\$ 26,411,293	\$ 329,929

Other Statistical Information

Table 1

County of Alleghany, Virginia
Government-Wide Expenses by Function
Last Ten Fiscal Years

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt	Water and Sewer Fund	Total
2015-16	\$ 2,265,730	\$ 1,578,405	\$ 5,669,932	\$ 3,082,441	\$ 4,203,749	\$ 11,703,747	\$ 861,841	\$ 444,866	\$ 295,265	\$ 4,379,654	\$ 34,485,630
2014-15	1,978,765	1,476,156	5,962,056	3,332,512	3,647,251	10,707,726	720,544	465,186	324,331	4,433,153	33,047,680
2013-14	2,218,596	1,559,654	5,548,155	2,939,564	3,683,445	12,558,547	812,380	505,841	394,899	4,837,124	35,058,205
2012-13	2,200,183	1,482,244	5,340,327	2,894,667	3,538,594	12,643,618	963,741	561,469	430,686	4,208,210	34,263,739
2011-12	2,499,430	1,489,784	5,171,713	2,964,372	3,463,171	12,515,440	1,100,281	404,069	1,623,370	4,497,392	35,729,022
2010-11	2,153,781	1,447,988	5,234,361	2,773,957	3,348,393	12,221,036	966,811	441,036	933,168	2,914,811	32,435,342
2009-10	2,030,763	1,306,191	4,968,106	4,351,861	3,427,771	12,104,165	1,096,976	444,648	1,038,864	2,894,787	33,664,132
2008-09	1,988,175	1,346,124	4,898,840	4,970,152	3,368,123	12,026,801	632,214	394,485	1,089,090	3,466,944	34,180,948
2007-08	1,139,917	1,254,663	5,159,785	3,095,922	3,850,210	9,418,334	871,908	398,708	1,127,499	2,753,856	29,070,802
2006-07	2,116,146	1,274,576	5,035,940	2,682,973	3,486,881	12,116,812	815,503	566,417	1,118,940	2,803,885	32,018,073

Table 2

County of Alleghany, Virginia
Government-Wide Revenues
Last Ten Fiscal Years

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES					
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	Total
2015-16	\$ 5,767,026	\$ 9,248,437	\$ 350,815	\$	16,438,002	\$ 2,693,879	\$ 78,919	\$ 214,733	\$ 2,392,061	\$ 37,183,872
2014-15	4,622,696	8,921,346	7,693		16,165,901	2,691,370	74,735	244,482	2,397,886	35,126,109
2013-14	4,827,467	8,458,807	23,280		15,186,511	2,554,418	82,668	244,619	2,407,155	33,784,925
2012-13	4,639,293	8,543,222	771,476		16,394,558	2,412,439	73,094	353,916	2,396,687	35,584,685
2011-12	4,669,620	8,913,175	1,888,577		15,492,843	2,190,182	50,276	251,787	2,293,952	35,750,412
2010-11	3,909,984	8,252,444	12,541,714		15,432,192	2,288,458	144,947	609,488	2,250,850	45,430,077
2009-10	3,461,695	8,234,495	4,287,265		15,715,743	2,236,077	123,133	549,032	2,276,650	36,884,090
2008-09	3,563,035	9,514,955	2,037,436		15,222,115	2,698,807	385,533	387,588	2,069,500	35,878,969
2007-08	3,418,562	8,768,681	205,853		14,784,476	2,596,051	1,016,766	261,246	1,978,185	33,029,820
2006-07	3,430,559	9,510,905	22,000		13,910,364	2,740,541	1,083,794	511,837	1,883,621	33,093,621

Table 3

County of Alleghany, Virginia
General Governmental Expenditures by Function (1)
Last Ten Fiscal Years

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2)	Parks, Recreation, and Cultural	Community Development	Nondepartmental	Debt Service	Capital Projects	Total
2015-16	\$ 2,408,993	\$ 1,623,127	\$ 6,292,769	\$ 3,196,499	\$ 4,605,417	\$ 26,272,527	\$ 1,387,272	\$ 433,733	\$ -	\$ 2,036,381	\$ 421,253	\$ 48,677,971
2014-15	2,332,462	1,529,864	6,287,387	3,235,630	4,332,044	26,668,845	743,712	467,061	-	1,934,068	338,676	47,869,749
2013-14	2,348,028	1,561,280	5,792,074	2,853,176	4,145,168	26,757,720	766,086	504,569	137,782	1,595,574	4,974,279	51,435,736
2012-13	2,304,985	1,496,501	5,695,866	2,878,188	3,973,318	28,595,658	785,039	561,954	29,505	1,566,353	700,450	48,587,817
2011-12	2,422,769	1,429,307	5,775,857	3,246,772	3,917,532	29,826,325	760,351	399,258	28,856	10,333,888	526,086	58,667,001
2010-11	2,254,023	1,404,529	5,436,958	2,643,170	3,867,309	28,534,386	727,485	331,195	5,567	2,342,273	374,624	47,921,519
2009-10	2,159,776	1,381,692	5,509,607	2,893,008	3,947,566	29,531,453	722,137	283,368	4,900	2,363,137	2,796,318	51,592,962
2008-09	2,101,972	1,403,618	5,324,926	2,965,524	4,038,254	31,120,417	673,801	330,719	5,899	2,386,317	3,278,167	53,629,614
2007-08	2,040,887	1,372,032	5,292,272	2,726,625	3,948,507	30,648,576	899,577	413,787	3,399	2,413,924	1,603,967	51,363,553
2006-07	2,047,804	1,274,637	5,435,110	2,761,932	4,221,685	29,026,101	792,850	344,520	11,457	2,140,387	1,072,176	49,128,659

(1) Includes General, Special Revenue, and Capital Projects funds of the Primary Government and its Discretely Presented Component Unit-School Board.

(2) Excludes contribution from Primary Government to Discretely Presented Component Unit.

Table 4

County of Alleghany, Virginia
General Governmental Revenues by Source (1)
Last Ten Fiscal Years

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property		Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental (2)	Total
2015-16	\$ 16,432,520	\$ 2,693,879	\$ 34,172	\$ 37,102	\$ 72,950	\$ 872,014	\$ 793,960	\$ 1,674,885	\$ 26,368,912	\$ 48,980,394	
2014-15	16,200,657	2,691,370	32,786	40,814	61,773	967,427	747,085	1,837,701	26,274,077	48,853,690	
2013-14	15,148,553	2,554,418	28,178	59,214	72,952	1,040,908	708,314	1,800,693	25,373,168	46,786,398	
2012-13	16,187,947	2,412,439	40,113	43,559	66,284	1,123,697	835,224	1,565,975	26,904,703	49,179,941	
2011-12	15,412,777	2,190,182	28,259	61,002	47,464	1,334,845	663,646	1,785,590	28,457,341	49,981,106	
2010-11	15,524,223	2,288,458	38,554	81,829	122,518	1,193,313	964,764	1,663,681	27,239,582	49,116,922	
2009-10	15,629,777	2,236,077	35,296	65,414	124,353	1,097,179	1,068,168	1,701,036	30,002,302	51,959,602	
2008-09	15,128,836	2,698,807	50,661	64,653	383,246	1,277,105	822,185	1,856,032	32,209,250	54,490,775	
2007-08	14,789,811	2,596,051	45,274	57,561	1,025,818	1,284,749	715,685	1,535,807	29,672,297	51,723,053	
2006-07	14,005,628	2,740,541	49,435	91,907	1,143,332	1,188,289	633,081	1,677,282	29,482,016	51,011,511	

(1) Includes General and Special Revenue funds of the Primary Government and its Discretely Presented Component Unit-School Board.

(2) Excludes contribution from Primary Government to Discretely Presented Component Unit.

Table 5

County of Alleghany, Virginia
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1)	Percent of Delinquent Taxes to Tax Levy
2015-16	\$ 17,749,218	\$ 17,241,475	97.14%	\$ 320,486	\$ 17,561,961	98.94%	\$ 699,953	3.94%
2014-15	17,613,882	16,996,592	96.50%	329,846	17,326,438	98.37%	612,674	3.48%
2013-14	17,568,748	17,276,587	98.34%	287,649	17,564,236	99.97%	637,328	3.63%
2012-13	17,282,831	16,978,746	98.24%	209,664	17,188,410	99.45%	632,216	3.66%
2011-12	16,374,806	16,235,714	99.15%	185,834	16,421,548	100.29%	462,659	2.83%
2010-11	17,133,525	17,000,079	99.22%	263,622	17,263,701	100.76%	386,161	2.25%
2009-10	16,965,119	16,852,221	99.33%	248,198	17,100,419	100.80%	489,646	2.89%
2008-09	16,607,536	16,365,362	98.54%	225,844	16,591,206	99.90%	476,050	2.87%
2007-08	16,259,572	16,130,783	99.21%	156,974	16,287,757	100.17%	405,837	2.50%
2006-07	15,475,568	15,326,045	99.03%	186,484	15,512,529	100.24%	392,420	2.54%

(1) Exclusive of penalties and interest. Includes PPTRA revenue from the Commonwealth.

Fiscal years 2012 through 2014 have been adjusted to account for refunds of approximately 1.4 million dollars.

Table 6

County of Alleghany, Virginia
Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Estate (1)	Personal Property and Mobile Homes	Machinery and Tools	Public Utility (2)	Total
2015-16	\$ 1,202,425,765	\$ 66,764,432	\$ 98,782,735	\$ 179,762,641	\$ 1,547,735,573
2014-15	1,198,562,696	66,625,672	96,917,748	176,440,723	1,538,546,839
2013-14	1,195,599,690	66,324,208	114,611,443	119,210,453	1,495,745,794
2012-13	1,189,199,438	64,151,894	122,088,331	111,530,160	1,486,969,823
2011-12	1,183,707,713	63,193,323	116,555,738	109,080,093	1,472,536,867
2010-11	1,177,769,900	61,240,685	116,208,339	103,422,277	1,458,641,201
2009-10	1,173,850,600	59,061,239	116,248,580	100,012,946	1,449,173,365
2008-09	1,166,472,100	64,321,098	106,864,932	89,128,617	1,426,786,747
2007-08	1,146,371,600	63,346,720	102,823,797	101,263,931	1,413,806,048
2006-07	779,733,400	63,121,433	107,628,289	72,453,464	1,022,936,586

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

(2) Assessed values are established by the State Corporation Commission (includes real estate and personal property).

Table 7

County of Alleghany, Virginia
Property Tax Rates (1)
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Mobile Home	Machinery and Tools
2015-16	\$ 0.69	\$ 5.95	\$ 0.69	\$ 5.95
2014-15	0.67	5.95	0.67	5.95
2013-14	0.67	5.95	0.67	5.95
2012-13	0.67	5.95	0.67	5.95
2011-12	0.64	5.95	0.64	5.95
2010-11	0.64	5.95	0.64	5.95
2009-10	0.66	5.95	0.66	5.95
2008-09	0.66	5.95	0.66	5.95
2007-08	0.66	5.95	0.66	5.95
2006-07	0.72	5.95	0.72	5.95

(1) Per \$100 of assessed value.

Table 8

County of Alleghany, Virginia
Ratio of Net General Bonded Debt to
Assessed Value and Net Bonded Debt Per Capita
Last Ten Fiscal Years

Fiscal Year	Population (1)	Assessed Value (in thousands)	Gross Bonded Debt (2)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2015-16	15,820	\$ 1,547,736	\$ 9,652,194	\$ 9,652,194	0.62%	\$ 610
2014-15	15,820	1,538,547	11,325,995	11,325,995	0.74%	716
2013-14	16,250	1,495,746	12,848,989	12,848,989	0.86%	791
2012-13	16,250	1,486,970	14,013,313	14,013,313	0.94%	862
2011-12	16,250	1,472,537	13,183,675	13,183,675	0.90%	811
2010-11	16,250	1,458,641	22,659,231	22,659,231	1.55%	1,394
2009-10	17,215	1,449,173	24,291,009	24,291,009	1.68%	1,411
2008-09	17,215	1,426,787	25,732,356	25,732,356	1.80%	1,495
2007-08	17,215	1,413,806	27,140,846	27,140,846	1.92%	1,577
2006-07	17,215	1,022,937	28,504,706	28,504,706	2.79%	1,656

(1) Population per the Bureau of the Census.

(2) Includes all long-term general obligations: bonded debt, bonded anticipation notes, and literary fund loans. Also includes lease revenue bonds which will be repaid using taxpayer dollars. Excludes revenue bonds, landfill closure/post-closure care liability, capital leases, and compensated absences.

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To The Board of Supervisors
County of Alleghany, Virginia
Covington, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Alleghany, Virginia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County of Alleghany, Virginia's basic financial statements, and have issued our report thereon dated December 14, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County of Alleghany, Virginia'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 of Alleghany, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the County of Alleghany, Virginia'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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Alleghany, Virginia'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*.

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.

Robinson, Farmer, Co. Associates

Blacksburg, Virginia

December 14, 2016

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report on Compliance For Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

To The Board of Supervisors
County of Alleghany, Virginia
Covington, Virginia

Report on Compliance for Each Major Federal Program

We have audited the County of Alleghany, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County of Alleghany, Virginia's major federal programs for the year ended June 30, 2016. County of Alleghany, Virginia's major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the County of Alleghany, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require 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 of Alleghany, Virginia'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 of Alleghany, Virginia's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

Management of the County of Alleghany, Virginia 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 of Alleghany, Virginia'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 of Alleghany, Virginia's internal control over compliance.

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

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

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

Robinson, Turner, Co. Associates

Blacksburg, Virginia
December 14, 2016

County of Alleghany, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Page 1 of 2

Federal Grantor/Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
<i>Department of Social Services:</i>			
Promoting Safe and Stable Families	93.556	950114/950115	\$ 13,084
Temporary Assistance for Needy Families	93.558	400115/400116	255,134
Refugee and Entrant Assistance - State Administered Programs	93.566	500115/500116	269
Low-Income Home Energy Assistance	93.568	600415/600416	28,144
<i>CCDF Cluster:</i>			
Child Care and Development Block Grant	93.575	770115/770116	\$ (1,582)
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	760115/760116	46,486
<i>Total CCDF Cluster</i>			44,904
Stephanie Tubbs Jones Child Welfare Services Program	93.645	900115/900116	1,267
Foster Care - Title IV-E	93.658	1100115/1100116	147,033
Adoption Assistance	93.659	1120115/1120116	19,887
Social Services Block Grant	93.667	1000115/1000116	192,559
Children's Health Insurance Program	93.767	540115/540116	9,870
Medical Assistance Program	93.778	1200115/1200116	316,821
Chafee Foster Care Independence Program	93.674	9150115/9150116	1,896
Total Department of Health and Human Services			\$ 1,030,868
Department of Agriculture:			
Pass Through Payments:			
<i>Department of Agriculture:</i>			
Schools and Roads - Grants to States	10.665	43841	\$ 131,739
<i>Department of Education:</i>			
<i>Child Nutrition Cluster:</i>			
National School Lunch Program	10.555	40623	\$ 484,718
School Breakfast Program	10.553	40621	135,643
Summer Food Service Program for Children	10.559	Not available	13,589
<i>Total Child Nutrition Cluster</i>			633,950
<i>Department of Social Services:</i>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	010115/010116	261,133
Total Department of Agriculture			\$ 1,026,822
Environmental Protection Agency:			
Pass Through Payments:			
<i>Virginia Department of Health:</i>			
Capitalization Grants for Clean Water State Revolving Funds	66.458	VCWSTM 005	\$ 1,380,597
Total Environmental Protection Agency			\$ 1,380,597
Department of Transportation:			
Pass Through Payments:			
<i>Department of Motor Vehicles:</i>			
Highway Planning and Construction	20.205	Not available	\$ 344,369
<i>Highway Safety Cluster:</i>			
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	Not available	\$ 6,900
National Priority Safety Programs	20.616	Not available	4,600
State and Community Highway Safety	20.600	Not available	6,300
<i>Highway Safety Cluster Total</i>			17,800
Total Department of Transportation			\$ 362,169
Department of Education:			
Pass Through Payments:			
<i>Department of Education:</i>			
Title I: Grants to Local Educational Agencies	84.010	42892	\$ 497,636
Career and Technical Education: Basic Grants to States	84.048	43401	39,154
<i>Special Education Cluster:</i>			
Special Education - Grants to States	84.027	60180	\$ 547,034
Special Education - Preschool Grants	84.173	61136	18,830
<i>Total Special Education Cluster</i>			565,864

County of Alleghany, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Page 2 of 2

Department of Education: (Continued)

Pass Through Payments: (Continued)

Department of Education: (Continued)

Advanced Placement Program	84.330	Not available	205
Adult Education - Basic Grants to States	84.002	Not available	7,118
Supporting Effective Instruction State Grant	84.367	61490	146,410

Total Department of Education		\$ 1,256,387
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Total Expenditures of Federal Awards		\$ 5,056,843
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Notes to Schedule of Expenditures of Federal Awards

Note A -- Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Alleghany, Virginia under programs of the federal government for the year ended June 30, 2016. The information in the Schedule is presented in accordance with the requirements of the Office of Management and Budgets Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of the County of Alleghany, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of Alleghany, Virginia.

Note B -- Summary of Significant Accounting Policies:

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

Note C -- Food Distribution

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

Note D -- Relationship to the Financial Statements

Federal expenditures, revenues and capital contributions are reported in the County's basic financial statements as follows:

Primary government:

General Fund-Intergovernmental	\$ 11,987,313
Less: Revenue from the Commonwealth	(10,103,408)
Less: Payments in Lieu of Taxes	(229,735)
Water and Sewer Fund Loans	1,380,597

Component Unit School Board:

School Operating Fund-Intergovernmental	25,336,878
Less: Revenue from Local Governments	(11,043,372)
Less: Revenue from the Commonwealth	(12,271,430)

Total federal expenditures per the Schedule of Expenditures of Federal Awards		\$ 5,056,843
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County of Alleghany, Virginia

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section, 200.516 (a)?	No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
66.458	Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs to report.

Section IV - Status of Prior Audit Findings and Questioned Costs

There were no findings in the prior fiscal year that related to federal programs.