## COUNTY OF MADISON, VIRGINIA FINANCIAL REPORT FISCAL YEAR ENDED JUNE 30, 2017

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## DIRECTORY OF PRINCIPAL OFFICIALS FISCAL YEAR ENDED JUNE 30, 2017

#### **BOARD OF SUPERVISORS**

R. Clay Jackson, Chair Jonathon Weakley, Vice-Chair

Charlotte Hoffman Robert Campbell Kevin McGhee

#### DEPARTMENT OF SOCIAL SERVICES BOARD

Norris John, Chairman Joseph Goodall, Vice-Chair

Charlotte Hoffman Tina Weaver Valerie Ward

Jerry Butler

#### MADISON COUNTY SCHOOL BOARD

Barry Penn Hollar, Chairman Doreen G. Jenkins, Vice-Chairman

Karen M. Allen Robert Chappell Joseph E. Parker

#### OTHER OFFICIALS

Daniel R. Bouton	Judge of the Circuit Court
Leeta Louk	Clerk of the Circuit Court
Dale Durrer	Judge of the General District Court
Edward DeJ. Berry	Judge of the Juvenile & Domestic Relations Court
Deborah Tinsley	Judge of the Juvenile & Domestic Relations Court
Clarissa Berry	Commonwealth's Attorney
Brian Daniel	Commissioner of the Revenue
Stephanie Murray	Treasurer
Erik Weaver	Sheriff
Matthew Eberhardt	Superintendent of Schools
Elizabeth Patterson	Clerk of the School Board
Valerie Ward	Director of Social Services
Daniel J. Campbell	County Administrator

### ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

#### Independent Auditors' Report

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

#### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of County of Madison, Virginia, as of and for the year ended Financial June 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

#### Management's Responsibility for the Financial Statements

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

#### 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Madison, Virginia, as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Other Matters

#### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedules related to pension and OPEB funding on pages 63 and 64-69 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.

#### Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Madison, Virginia's basic financial statements. The other supplementary information and 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* (Uniform Guidance), and is also not a required part of the basic financial statements.

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, 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 statistical information has 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 it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2017, on our consideration of the County of Madison, 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 County of Madison, Virginia's internal control over financial reporting and compliance.

Arbinson, Farmel, Cox Associets Charlottesville, Virginia



#### MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the County of Madison, Virginia we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2017.

#### Financial Highlights

#### Government-wide Financial Statements

Total net position for Madison County's governmental activities as of June 30, 2017 was \$25.281 million, which represents an increase of \$1.023 million from the previous year. This increase was primarily due to an increase in unrestricted net position of \$1.405 million, which was partially offset by a decrease in net investment in capital assets of approximately \$364,000.

Cash and cash equivalents were \$12.761 million as of June 30, 2017, which represents an increase of \$1.187 million from the previous year.

#### **Fund Financial Statements**

For the fiscal year ended June 30, 2017, the governmental funds reflect a combined fund balance of \$14.1 million, which reflects an increase of \$1.23 million from balance at the end of the previous fiscal year. This increase is primarily attributable to a \$1.26 million increase in general fund balance.

The overall increase in the general fund balance included an increase of approximately \$172,000 in committed funds for encumbrances, \$189,000 of assigned funds for school capital projects, and \$872,000 in unassigned fund balance.

At the end of fiscal 2017, the County's General Fund was approximately \$1.104 million favorable to final amended budget.

#### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County of Madison's basic financial statements, which are comprised of three sections: 1) government-wide financial statements. 2) fund financial statements, and 3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### **Government-wide Financial Statements**

The *government-wide financial statements* (Exhibits 1 and 2) are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The *statement of net position* (Exhibit 1) presents information on all of the County's assets, deferred outflow of resources, liabilities, and deferred inflows of resources, with the difference between the four reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating. Other non-financial factors will also need to be considered to determine the overall financial position of the County.

The *statement of activities* (Exhibit 2) presents how the government's net position changed during the recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses in this statement are reported for some items that will result in cash flows in future periods (e.g., uncollected taxes and earned but unused vacation leave.)

The statement of activities is focused on the gross and net cost of various government functions that are supported by general tax and other revenue. This statement presents expenses before revenues, emphasizing that in governments, revenues are generated for the express purpose of providing services.

#### Overview of the Financial Statements: (Continued)

Government-wide Financial Statements: (Continued)

In the government-wide financial statements, the County's activities are divided into two categories:

<u>Governmental activities</u>: The functions of the County are reported here, and include general government; judicial administration; public safety; public works; health and welfare; education; parks, recreation, and cultural; and community development. These activities are financed primarily by property taxes, other local taxes, and Federal and State grants.

<u>Component units</u>: The County has two component units: the Madison County School Board and the Madison County Parks and Recreation Authority, both of which have been included in this annual report. Although legally separate, the discretely presented component units are important because the County is financially accountable for them. A primary government is accountable for an organization if the primary government is able to impose its will on the organization or the organization is capable of imposing specific financial burdens on the primary government. The County approves debt issuances to finance School Board assets and provides significant funds for its operations. Additional information on the component units can be found in Note 1 of the Notes to Financial Statements section of this report.

#### **Fund Financial Statements**

These statements focus in individual parts of the County's government, reporting the County's operations in more detail than the government-wide statements. Funds are used to ensure compliance with finance-related legal requirements and keep track of specific sources of revenue and expenditures for particular purposes. The County has two kinds of funds: governmental funds and fiduciary funds.

<u>Governmental funds</u> are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluation of the County's near-term financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Fund balances are the differences between assets and liabilities in governmental funds.

- Nonspendable fund balance includes amounts that are not in spendable form, or amounts that are required to be maintained intact.
- Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by external providers, such as grantors or bondholders, as well as amounts that restricted through enabling legislation.
- Committed fund balance includes amounts that can be used only for the specific purposes that are determined by a formal action of the government's highest level of decision making authority.
- Assigned fund balance applies to amounts that are intended for specific purposes as expressed by the governing body or authorized official and applies to remaining resources in any governmental funds other than the general fund.
- Unassigned fund balance includes all amounts not contained in other classifications for the general fund, and deficit fund balances in any other governmental funds.

#### Overview of the Financial Statements: (Continued)

#### Fund Financial Statements: (Continued)

At the end of the current fiscal year, the County's total governmental funds reported an ending fund balance of \$14,051,383.

As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 50.3% of total general fund expenditures, while total general fund balance represents 53.7% of that same amount.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financing decisions. A reconciliation between the two methods is provided after the governmental fund balance sheet on Exhibit 4 and after the governmental fund statement of revenues, expenditures, and changes in fund balances on Exhibit 6.

The County maintains two individual governmental funds: the General Fund and the Capital Projects Fund. Both funds are considered to be major funds. Data for each fund is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances.

The County adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the General Fund (Exhibit 7) and for the Capital Projects Fund (Exhibit 14) to demonstrate compliance with this budget.

<u>Fiduciary funds</u> are used to account for assets held by the County in a trustee capacity (Trust Fund) or an agent or custodian for individuals, private organizations, other governmental units, or other funds (Agency Fund). The County maintains one fiduciary fund, the Special Welfare Fund, which is an Agency Fund. The Fund is accounted for in a separate statement of changes in assets and liabilities (Exhibit 15). The County excludes these activities from the County's government-wide financial statements because the County cannot use these assets to finance its operations.

#### Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

#### Other Information

In addition to the basic financial statement and accompanying notes, this report also presents certain required supplemental information for budgetary comparison schedules and presentation of combining financial statements for the discretely presented component units School Board. The School Board does not issue separate financial statements.

In addition, required supplementary information is included regarding the County's progress in funding its obligation to provide pension benefits to its employees.

#### **Government-wide Financial Analysis**

#### Statement of Net Position

The following table reflects condensed information on the County's Net Position as of June 30, 2017 and 2016.

### Summary of Net Position (\$ in thousands)

		Primary G	ove	rnment				Comp	one	ent Units		
			Governmental Activities				choo			Parks and Aut	d Red	
	_	2017		2016		2017		2016	-	2017		2016
Current assets and other assets	\$	21,079	\$	19,957	\$	2,369	\$	3,266	\$	126	\$	-
Capital assets (net)		23,926		25,393		7,979		7,926		98		-
Total Assets	\$	45,005	\$	45,350	\$	10,348	\$	11,192	\$	224	\$	-
Total Deferred Outflows	\$	782	\$	493	\$	2,608	\$	1,351	\$	-	\$	-
Long term liabilities	\$	12,540	\$	13,494	\$	18,159	\$	16,898	\$	-	\$	-
Other liabilities		1,884		1,890		1,605		2,558		16		-
Total Liabilities	\$	14,424	\$	15,384	\$	19,764	\$	19,456	\$	16	\$	-
Total Deferred Inflows of Resources	\$	6,082	\$	6,201	\$	1,589	\$	1,894	\$	-	\$	-
Net Position:												
Net investment in capital assets	\$	12,380	\$	12,744	\$	7,915	\$	7,800	\$	98	\$	-
Restricted		135		153		55		51		-		-
Unrestricted		12,766		11,361		(16,367)		(16,658)		110		-
Total Net Position	\$	25,281	\$	24,258	\$	(8,397)	\$	(8,807)	\$	208	\$	-

Total net position for Madison County's governmental activities as of June 30, 2017 was \$25.281 million, which represents an increase of \$1.023 million from the previous year. This increase was primarily due to an increase in unrestricted net position of \$1.405 million, which was partially offset by a decrease in net investment in capital assets of approximately \$364,000.

The change in net investment in capital assets was the net of decreases due to \$1.079 million in depreciation charges and approximately \$817,000 in asset transfers from the County to its component units and of increases of approximately \$429,000 in capital outlays and \$1.103 million in principal payments on debt financed capital assets.

Total net position for the Madison County School Board was of June 30, 2017 is \$(8.397) million, which represents an increase of approximately \$410,000 from the previous year. This increase was primarily due to increases of approximately \$291,000 in unrestricted net position, and \$115,000 in net investment in capital assets. The change in net investment in capital assets was comprised of increases of approximately \$738,000 due to asset transfers from the County, \$265,000 in capital outlays, and \$62,000 in capital lease principal payments, offset by a decrease due to depreciation charges of \$950,000.

Total net position for the Madison County Parks and Recreation Authority at June 30, 2017 was approximately \$208,000. This amount reflects assets transferred to the Authority from the County offset by a current year operating loss of approximately \$108,000. In fiscal 2016, the Madison County Parks and Recreation Authority was reported as part of the County's General Fund due to the nature of a contractual agreement in effect between the Authority and the Board of Supervisors. This contractual relationship was revised effective July 1, 2016; the terms of the amended agreement stipulated that the Authority would maintain its banking accounts, as well as separate books and records. Accordingly, the Parks and Recreation Authority was presented as a discrete component unit of the County in fiscal 2017.

#### **Government-wide Financial Analysis: (Continued)**

#### **Statement of Activities**

The following table presents summary information for the Change in Net Position for the years ended June 30, 2017 and 2016.

## Summary of Changes in Net Position (\$ in thousands)

		Primary	Gov	ernment		Component Units								
	_	Gove			-	So	cho	ol		Parks and Recreation				
	_	Act	ivit	ies	_	В	oar	rd	_	Authority				
		2017		2016		2017		2016		2017		2016		
<u>REVENUES</u>						_	-							
Program Revenues:														
Charges for services	\$	883	\$	1,031	\$	337	\$	321	\$	123	\$	-		
Operating grants & contributions		5,511		5,301		10,927		10,780		-		-		
Capital grants & contributions		-		-		-		-		-		-		
General revenues:														
General property taxes		15,245		14,882		-		-		-		-		
Other local taxes		2,726		2,598		-		-		-		-		
Use of money & property		132		115		-		8		-		-		
Miscellaneous		308		386		799		677		74		-		
Grants & contributions not														
restricted to specific programs		1,716		1,736		-		-		-		-		
Contribution from County		-		-		8,981		9,694		315		-		
Total revenues	\$	26,521	\$	26,049	\$	21,044	\$	21,480	\$	512	_	-		
<u>EXPENSES</u>														
General government		1,267		1,361		-		-		-		-		
Judicial administration		1,257		1,153		-		-		-		-		
Public safety		5,551		5,300		-		-		-		-		
Public works		926		956		-		-		-		-		
Health and welfare		5,866		5,538		-		-		-		-		
Education		9,248		10,374		20,634		19,665		_		_		
Parks & Rec		572		477		-		-		304		_		
Community Development		542		524		-		-		-		-		
Interest on long-term debt		269		283		-		-		-		-		
Total expenses	\$	25,498	\$	25,966	\$	20,634	\$	19,665	\$	304	\$	-		
Change in net position	\$	1,023	\$	83	\$	410	\$	1,815	\$	208	\$	-		
Net position - beginning		24,258		24,175		(8,807)		(10,622)		_		_		
not position bogining		/		21,170		(0,001)		(10,022)						

#### Government-wide Financial Analysis: (Continued)

The change in net position for Madison County's governmental activities for fiscal 2017 was approximately \$1.023 million, and was attributable to an increase of approximately \$472,000 in revenues and a decrease of approximately \$468,000 in expenses relative to fiscal 2016.

The increase in fiscal 2017 revenues for governmental activities was primarily due to increases of approximately \$491,000 in general property and other local taxes, and \$210,000 in operating grants. These increases were partially offset by a decrease of approximately \$148,000 in charges for services.

The fiscal 2017 increase in general property and other local taxes was due to both an improving economy and increased efforts at collections. The fiscal 2017 increase in operating grants was primarily due to increased state and federal funding for mandated expenditures related to foster care and adoption assistance. The fiscal 2017 decrease in charges for services was primarily due to a change in accounting related to Madison Parks and Recreation Authority in fiscal 2017 as discussed previously in this analysis.

The decrease in fiscal 2017 expenses for governmental activities was primarily due to a decrease in education expense of approximately \$1.126 million, offset by increases of approximately \$104,000 in judicial administration, \$251,000 in public safety and \$328,000 in health and welfare expenditures.

The decrease in fiscal 2017 education expense for governmental activities is related to the method of accounting for joint tenancy assets held by the County and the School Board. In the County's financial statements, all debt financed School Board capital assets (excluding those financed with capital leases) are recorded on the County's financial statements. As the principal is paid on the related debt, the County transfers the capital asset and the associated accumulated depreciation to the School Board. This transfer has the effect of increasing the contribution from the County recorded in the County's government-wide financial statements.

In fiscal years 2017 and 2016, the transfers from the County to the School Board for jointly owned capital assets were approximately \$738,000 and \$1.812 million, respectively. Education expense for governmental activities before the effect of these transfers was approximately \$8.51 million and \$8.56 million for fiscal years 2017 and 2016 respectively.

The increase in judicial administration expenses for fiscal 2017 was primarily due to increased grant funding received for certain programs as well as a reallocation of depreciation expense for certain court related capital assets. The increase in public safety expenses for fiscal 2017 was primarily due to increased contributions to the Central Virginia Regional Jail and increased costs related to the County's pension obligation to its employees. The increase in health and welfare expenditures for fiscal 2017 was due to mandated expenditures for foster care and adoption assistance provided to the citizens of Madison County.

The change in net position for the Madison County School Board for fiscal 2017 was approximately \$410,000, which represents a decrease of \$1.405 million from the previous year. This decrease was attributable to a decrease in School Board revenues of approximately \$436,000 and an increase in School Board expenditures of approximately \$969,000.

The decrease in School Board revenues relative to fiscal 2016 was primarily attributable to the effect of capital assets transferred to the School Board by the County, which decreased by approximately \$1.074 million in fiscal 2017. Before the effect of such transfers, School Board revenues increased by approximately \$638,000.

#### Government-wide Financial Analysis: (Continued)

The increase in School Board expenses is primarily due to the change in the balance of deferred inflows of resources related to the School Board's pension obligations between fiscal 2017 and fiscal 2016. A decrease in the balance of deferred inflows of resources related to pensions will decrease recorded expense for the year. In fiscal 2017, the School Board recognized a decrease in the balance of the deferred inflows of resources related to its pensions of approximately \$305,000, as compared to a decrease of approximately \$1.016 million in fiscal 2016. The change in the amount recorded between the two years was primarily related to adjustments for differences between projected and actual earnings on underlying pension plan investments.

School Board expenses before the effect of changes in the deferred inflows of resources related to pensions were approximately \$20.939 and \$20.681 million for fiscal years 2017 and 2016, respectively.

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

For the fiscal year ended June 30, 2017, the governmental funds reflect a combined fund balance of \$14.1 million, which reflects an increase of \$1.23 million from the balance at the end of the previous fiscal year. This increase is primarily attributable to a \$1.26 million increase in general fund balance.

The overall increase in the general fund balance included an increase of approximately \$172,000 in committed funds for encumbrances, \$189,000 of assigned funds for school capital projects, and \$872,000 in unassigned fund balance. The increase in committed funds for encumbrances as of June 30, 2017 was due to an increase in contractual obligations at the end of the year for the purchase of a new ambulance, as well as certain other services to be provided to the County in fiscal 2018. The increase in general fund balance for school capital projects represented amounts designated in fiscal 2017 by the Board of Supervisors to be spent on future school capital projects. The increase in the unassigned general fund balance as of June 30, 2017 represented the excess of general fund revenues over expenditures for the year, net of changes in all other fund balance classifications.

Total revenues in governmental funds for fiscal 2017 were approximately \$26.558 million, reflecting an increase of approximately \$451,000 from the previous year.

Total expenditures in governmental funds for fiscal 2017 were approximately \$25.328 million, reflecting an increase of approximately \$37,000 from the previous year.

The change in total expenditures in governmental funds between fiscal 2017 and 2016 reflected increases in expenditures of approximately \$104,000 in public safety, \$318,000 in health welfare and decreases in expenditures of approximately \$120,000 in parks, recreation, and cultural, and \$400,213 in school related capital outlays.

Aggregate expenditures in fiscal 2017 for governmental funds also reflected an increase of approximately \$164,000 in compensation paid to employees (excluding Social Services) and a decrease of approximately \$81,000 (excluding Social Services) related to the County's annual contributions to the Virginia Retirement System (VRS). The increase in compensation was primarily due to 2.5% cost of living increase effective as of July 1, 2016 and the replacement of a contractual interim finance director with a full-time employee. The decrease in contributions to the VRS retirement system for fiscal 2017 was due to a decrease in the mandatory contribution rate established by VRS from 11.65% of covered payroll in fiscal 2016 to 8.87% of covered payroll in fiscal 2017.

In fiscal 2016, the County also received \$500,000 in debt proceeds in connection with the financing of school related capital outlays, which was recorded in the County's funds as an increase in fund balance during the year.

#### General Fund Budgetary Highlights

The following table presents budgeted and actual revenues and expenditures for the General Fund for fiscal 2017:

## General Fund Summary Budgetary Information Year Ended June 30, 2017

(\$ in thousands)

	_	\ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \	, ,	
		Original	Amended	_
	_	Budget	Budget	Actual
Revenues	\$	\$	\$	_
Taxes		17,371	17,371	18,008
Intergovernmental		7,240	7,945	7,227
Other		1,160	1,300	1,323
Total		25,771	26,616	26,558
Expenditures and transfers		25,830	26,935	25,297
Change in fund balance	\$	(59) \$	(319) \$	1,261

#### **General Fund Budgetary Highlights**

General fund budget amendments resulted in an increase of approximately \$1.104 million between the original budget and the final budget.

Significant additional appropriations included the following (rounded to the nearest thousand):

- \$60,000 distribution to the Parks and Recreation Authority (PRA) for their restricted cash held by the County.
- \$54,000 in parks & recreation expenditures for employee paid by County and reimbursed by PRA.
- \$72,000 in judicial administration expenditures for state funded grants and initiatives.
- \$368,000 in Virginia Public Assistance funds primarily related to adoption assistance.
- \$294,000 in Children's Services Act expenditures.
- \$106,000 for information technology capital outlays

At the end of fiscal 2017, the County's General Fund was approximately \$1.104 million favorable to final amended budget. This was primarily due to a favorable variance in tax revenues of approximately \$637,000, and an unfavorable variance in intergovernmental revenues of approximately \$718,000 related to reimbursements that offset the favorable variance in expenditures of \$1.638 million.

The favorable variance in fiscal 2017 tax revenues relative to budget was due to an improved economy, and the County's conservative approach toward budgeting local revenues. The unfavorable variance in intergovernmental revenues was due primarily to a) an overestimation of approximately \$603,000 in federal and state revenues reimbursements to be received for health and welfare programs related to foster care and adoption assistance, and b) an approximately \$83,000 under-expenditure of a state grant received for E911 equipment. The \$686,000 unfavorable variance related to health and welfare and E911 equipment grants described above also constitutes a portion of the \$1.638 million favorable variance in expenditures, as the grants were budgeted as reimbursements for related expenditures.

Other significant items accounting for the General Fund's favorable variance to final amended budget for fiscal 2017 expenditures are the under-expenditure of the County's budgeted contribution to the School Board of \$238,000 (approximately 1.19% of the fiscal 2017 Original Budget of the School Board), and contractual obligations entered into in fiscal 2017 in the amount of approximately \$221,000 that will be expended in fiscal 2018, and that have been encumbered at year-end.

#### Capital Asset and Debt Administration

#### Capital Assets

The following table reflects condensed information on the County's capital assets as of June 30, 2017 and 2016.

Capital Asset Summary Information (\$ in thousands)

	Primary	Gov	ernment				Compo	nen	t Units		
	Gove	rnm	ental		S	choc	ol		Parks and	d Re	ecreation
	Act	tivit	ies		В	oar	d		Aut	thor	ity
	2017		2016		2017		2016		2017		2016
Land	\$ 1,419	\$	1,419	\$	110	\$	109	\$	-	\$	-
Construction in progress	-		57		-		-		42		-
Buildings and improvements	17,235		17,234		5,857		5,755		28		-
Equipment	3,135		2,990		4,672		4,509		77		-
Jointly owned assets	10,533		11,434		9,528		8,628		-		-
Accumulated depreciation	(8,396)		(7,741)		(12,188)		(11,075)		(49)		-
	\$ 23,926	\$	25,393	\$ -	7,979	\$	7,926	\$	98	\$	-

The change in capital assets for governmental activities in fiscal 2017 was a decrease of \$1.467 million. This was comprised of reductions for \$1.079 million in depreciation charges and approximately \$817,000 in asset transfers from the County to its component units and of increases of approximately \$429,000 in capital outlays. Capital outlays for governmental activities included \$195,000 for new vehicles for various departments, \$106,000 for a major network upgrade, and \$128,000 in equipment purchases.

#### Long-term debt

The following table reflects condensed information on the County's outstanding loans and bonded indebtedness as of June 30, 2017 and 2016.

## Summary of Outstanding Debt (\$ in thousands)

	_	Primary Government				
	_	Governmental Activities				
		2017 2016				
Public Facility Lease Revenue Bond  Variable Rate Demand Revenue Bond	\$	8,273 2,000	\$	8,933 2,000		
State literary fund loan		1,240		1,550		
-	\$	11,513	\$	12,483		

Please see Note 8 to the Financial Statements for more information on the County's long-term obligations.

#### Economic Factors and Next Year's Budgets and Rates

The Madison County unemployment rate decreased from 3.4% in June 2016 to 3.1% in June 2017. This compares favorably to the 3.9% state and 4.4% national unemployment rates in June 2017<sup>1</sup>.

Madison County's population changed from 13,308 in 2010 to 13,078 in 2016. During that same time frame, the portion of the population that was 65 years old and older increased from 16.3% to 20.4%<sup>2</sup>. Madison County's population is slightly declining and becoming older.

Madison County had no significant capital spending in fiscal 2017, but efforts are underway to understand and address the issues of aging infrastructure and improving the capital plant.

Of the County's 209,280 acres (327 square miles), 106,991 (51%) is in farmland<sup>3</sup> and 94,494 acres 45% in forestland<sup>4</sup>. Only about 4% of the County's land mass is used for more intense residential, commercial and industrial purposes. Madison is a rural county.

The Madison County government relies on real estate, personal property and sales taxes for about 79% of locally generated revenue. As typical for rural county with an agribusiness-based economy, these sources are stable.

The County's \$0.68/\$100 real estate and \$3.45/\$100 personal property tax rates have been effective since Fiscal 2015 and will remain unchanged in fiscal 2018.

For the fiscal year ending June 30, 2018, the total adopted budget, net of interfund transfers, is \$39,963,691 versus \$38,282,928 in fiscal 2017. The fiscal 2018 budget anticipates the use of \$618,445 in general fund balance.

#### **Requests for Information**

This financial report is designed to provide a general overview of the County of Madison, Virginia's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, PO Box 705, Madison, Virginia, 22727.

<sup>&</sup>lt;sup>1</sup> United States Department of Labor, Bureau of Labor Statistics

<sup>&</sup>lt;sup>2</sup> Unites States Census Bureau, American Factfinder Web Site

<sup>&</sup>lt;sup>3</sup> United States Census of Agriculture, 2012

<sup>&</sup>lt;sup>4</sup> United States Department of Agriculture, Forestry Service (2007)

- Basic Financial Statements -

Government-wide Financial Statements



	-	Primary Government	_	Component Unit		Component Unit Madison
ASSETS	-	Governmental Activities	_	School Board		County Parks and Recreation Authority
Current Assets:						
Cash and cash equivalents	\$	12,760,785	\$	1,340,892	\$	126,133
Receivables (net of allowance for uncollectibles):	•	.27.007.00	*	.,0.0,072	*	.207.00
Property taxes		6,589,501		-		-
Accounts receivable		281,492		7,995		-
Inventory		-		23,310		-
Prepaid expenses		39,363		9,951		-
Due from other governments Due from Component Unit		987,683		507,282		-
·	-	420,397	_			-
Total Current Assets	\$_	21,079,221	\$_	1,889,430	\$	126,133
Noncurrent Assets:						
Net pension asset	\$_	-	\$_	479,122	\$	
Capital assets:  Land and construction in progress	\$	1,419,418	¢	109,803	¢	42.040
Buildings and equipment, net of depreciation	Ф	22,506,435	\$	7,869,142	\$	42,060 55,994
Total Capital Assets	\$	23,925,853	\$	7,978,945	\$	98,054
Total Noncurrent Assets	\$		_		\$	
	•	23,925,853	\$_	8,458,067		98,054
Total Assets	\$_	45,005,074	\$_	10,347,497	\$	224,187
DEFERRED OUTFLOWS OF RESOURCES						
Pension deferrals	\$_	781,634	\$_	2,608,385	\$.	
Total Assets and Deferred Outflows of Resources	\$	45,786,708	\$	12,955,882	\$	224,187
LIABILITIES						
Current Liabilities:						
Accounts payable	\$	340,150	\$	99,396	\$	13,382
Amounts held for others		48,476		-		-
Accrued liabilities  Due to Primary Government		-		980,338 420,397		2,937
Accrued interest payable		140,960		420,397		-
Current portion of long-term obligations		1,354,036		105,284		- -
Total Current Liabilities	\$	1,883,622	\$	1,605,415	\$	16,319
Noncurrent Liabilities:						
Noncurrent portion of long-term obligations		12,539,862		18,158,767		_
Total Liabilities	\$	14,423,484	\$	19,764,182	\$	16,319
	•	, .20, .0 .	-	.7776.17.62	Υ.	
DEFERRED INFLOWS OF RESOURCES Deferred revenues - taxes	\$	5,795,280	\$		\$	
Pension deferrals	φ	286,911	Φ	1,588,750	Φ	-
Total deferred inflows of resources	<b>-</b>		ф ф		ф	
	\$_	6,082,191	\$_	1,588,750	\$	
NET POSITION		10 000 070	_	7 044 004		00.054
Net investment in capital assets	\$	12,380,373	\$	7,914,884	\$	98,054
Restricted Unrestricted		134,764 12,765,896		54,832 (16,366,766)		109,814
	<b>-</b>		ф -		φ	
Total Net Position	\$_	25,281,033	\$_	(8,397,050)	\$	207,868
Total Liabilities, Deferred Inflows of Resources and Net Position	\$	45,786,708	\$_	12,955,882	\$	224,187

						Net (Exper Revenue a Changes Net Positi	and in	
			Program Revenu	ues	Primary Government	Compor Unit		Component Unit
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Schoo Board		Madison County Parks and Recreation Authority
PRIMARY GOVERNMENT: Governmental activities: General government								
administration \$	.,,		,	-	( - / / /		- \$	-
Judicial administration	1,257,440	221,950	424,112	-	(611,378)		-	-
Public safety	5,551,564	542,858	1,013,359	-	(3,995,347)		-	-
Public works	925,800	118,405	7,240	-	(800,155)		-	-
Health and welfare	5,865,685	-	3,864,645	-	(2,001,040)		-	-
Education	9,248,253	-	-	-	(9,248,253)		-	-
Parks, recreation, and cultural	571,513	-	-	-	(571,513)		-	-
Community development	541,843	-	-	-	(541,843)		-	-
Interest on long-term debt	268,648				(268,648)	<u> </u>		
Total governmental activities \$	25,497,481 \$	883,213	5,510,808		\$ (19,103,460)	\$	\$	
COMPONENT UNITS: School Board \$ Madison County Parks and	20,634,585 \$	337,369 \$	10,927,218 \$	-	\$	\$ (9,369	,998)	
Recreation Authority	303,977	122,582					-	(181,395)
Total component units \$	20,938,562 \$	459,951 \$	10,927,218	<u>-</u>	\$	\$ (9,369	,998) \$	(181,395)
General reve	enues:							
	operty taxes				\$ 15,244,661	\$	- \$	-
	and use tax				1,021,382		-	-
	utility taxes				339,369		-	-
Motor vehic					446,360		-	-
Restaurant					445,670		-	-
Other local					472,885		-	-
		m use of moi	ney and property		131,991	700	26	-
Miscellaneo					308,067	/98	,623	73,892
		not restricted	d to specific prog	rams	1,716,160	0.004	400	- 21F 271
	on from County				e 20 127 E4E	8,981		315,371
	eral revenues				\$ 20,126,545		,049 \$	
Change in ne					\$ 1,023,085		,051 \$	207,868
Net position	- beginning				24,257,948	(8,807	,101)	-
Net position	- ending				\$ 25,281,033	\$ (8,397	,050) \$	207,868

- Basic Financial Statements -

Fund Financial Statements



Balance Sheet - Governmental Funds At June 30, 2017

ASSETS		General Fund		Capital Improvement Fund		Total
Cash and cash equivalents Receivables (Net of allowance for uncollectibles):	\$	12,287,146	\$	473,639	\$	12,760,785
Taxes, including penalties Accounts receivable Due from component unit		6,589,501 281,492 420,397		- - -		6,589,501 281,492 420,397
Due from other governmental units Prepaid expenditures	_	987,683 39,363		-		987,683 39,363
Total assets LIABILITIES	\$_	20,605,582	\$	473,639	\$	21,079,221
Accounts payable Amounts held for others	\$	340,150 48,476	\$	- -	\$	340,150 48,476
Total liabilities	\$	388,626	\$	-	\$	388,626
DEFERRED INFLOWS OF RESOURCES Unavailable revenue - taxes	\$_	6,639,212	\$	-	\$	6,639,212
FUND BALANCES						
Nonspendable Restricted Committed Assigned Unassigned	\$	39,363 134,764 253,814 435,590 12,714,213	\$	108,195 365,444 -	\$	39,363 242,959 619,258 435,590 12,714,213
Total fund balances	\$	13,577,744	\$	473,639	\$	14,051,383
Total liabilities, deferred inflows of resources and fund balances	\$_	20,605,582	\$	473,639		
Detailed explanation of adjustments from rund statements to nosition:	gove	ernment-wide	sta	tement or net		
When capital assets (land, buildings, equipment) that are to be purchased or constructed, the costs of those assets are reported at However, the statement of net position includes those capital assets.	as exp	enditures in go	ovei	rnmental funds.		
whole.						23,925,853
Interest on long-term obligations is not accrued in governmental funds, but rather is recognized as an expenditure when due.						(140,960)
Because the focus of governmental funds is on short-term finanto pay for current-period expenditures. Those assets (for eunavailable revenues in the governmental funds and thus are not	xampl	e, receivable	es)	are offset by		
Unavailable revenue - property taxes  Deferred inflows related to measurement of net pension liability	/					843,932 (286,911)
Deferred outflows related to pensions.		781,634				
Long-term liabilities applicable to the County's governmental act current period and accordingly are not reported as fund liabilities						
termare reported in the statement of net position.						(13,893,898)
Net position of general government activities					\$	25,281,033

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds Year Ended June 30, 2017

		Capital		
		General	Improvement	Total
Revenues:				
General property taxes	\$	15,282,378	\$ - \$	15,282,378
Other local taxes		2,725,666	-	2,725,666
Permits, privilege fees and regulatory licenses		222,790	-	222,790
Fines and forfeitures		170,298	-	170,298
Revenue from use of money and property		131,991	-	131,991
Charges for services		490,125	-	490,125
Miscellaneous		308,067	-	308,067
Intergovernmental:				
Commonwealth		5,995,263	-	5,995,263
Federal		1,231,705		1,231,705
Total revenues	\$	26,558,283	\$	26,558,283
Expenditures:				
Current:				
General government administration	\$	1,352,710	\$ - \$	1,352,710
Judicial administration		918,656	-	918,656
Public safety		5,609,963	-	5,609,963
Public works		946,045	-	946,045
Health and welfare		5,900,655	-	5,900,655
Education		8,209,412	38,000	8,247,412
Parks, recreation, and cultural		356,465	-	356,465
Community development		544,945	-	544,945
Nondepartmental		64,096	-	64,096
Debt service:				
Principal retirement		1,103,170	-	1,103,170
Interest and other fiscal charges	_	284,088		284,088
Total expenditures	\$	25,290,205	\$ 38,000 \$	25,328,205
Excess (deficiency) of revenues over (under) expenditures	\$	1,268,078	\$ (38,000) \$	1,230,078
Other Financing Sources (uses):				
Transfers in	\$	31,106	\$ 38,000 \$	69,106
Transfers (out)		(38,000)	(31,106)	(69,106)
Total other financing sources (uses)	\$	(6,894)	\$\$\$_	
Net change in fund balances	\$	1,261,184	\$ (31,106) \$	1,230,078
Fund balances at beginning of year		12,316,560	\$ 504,745 \$	12,821,305
Fund balances at end of year	\$	13,577,744	\$ 473,639 \$	14,051,383

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities - Governmental Funds

Year Ended June 30, 2017

			Primary Government
			Governmental Funds
Amounts reported for governmental activities in the statement of activities are different because:			
Net change in fund balances - total governmental funds		\$	1,230,078
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period. The following details support this adjustment: Capital outlay		429,019	
Depreciation expense	_	(1,078,894)	(649,875)
The net effect of various transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net position.			(79,606)
Transfer of joint tenancy assets from Primary Government to the Component Unit			(737,513)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Details of this item consist of unavailable taxes.			
Unearned revenue - property taxes Increase (decrease) in deferred inflows related to the measurement of the net	\$	(37,717)	
pension liability	_	214,133	176,416
The issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. A summary of items supporting this adjustment is as follows:			
Principal retired on lease revenue bonds	\$	660,000	
Principal retired on capital lease		133,170	
Principal retired on state literary fund loan	-	310,000	1,103,170
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. The following is a summary of items supporting this adjustment:			
Change in compensated absences Change in net OPEB obligation Change in landfill closure liability Change in net pension liability Change in deferred outflows related to pensions	\$	48,026 (34,000) 25,420 (362,891) 288,420	
Change in accrued interest payable		15,440	(19,585)
Change in net position of governmental activities	-	9	1,023,085

Statement of Fiduciary Net Position --Fiduciary Funds At June 30, 2017

	_	Agency Funds
ASSETS		
Cash and cash equivalents	\$_	70,745
Total assets	\$ <u>_</u>	70,745
LIABILITIES		
Amounts held for others	\$_	70,745
Total liabilities	\$ _	70,745

Notes to Financial Statements At June 30, 2017

#### Note 1 - Summary of Significant Accounting Policies:

The County of Madison, Virginia was formed in 1792 and is governed by an elected five member Board of Supervisors. The Board of Supervisors is responsible for appointing the County Administrator. The County provides a full range of services for its citizens. These services include police and volunteer fire protection, sanitation services, recreational activities, cultural events, education, and social services.

The financial statements of the County of Madison, Virginia have been prepared in conformity with the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia, and the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board. The more significant of the government's accounting policies are described below.

#### Government-wide and Fund Financial Statements:

#### Government-wide Financial Statements:

The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities, but also capital assets and long-term liabilities (such as buildings and general obligation debt).

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.

#### Statement of Net Position:

The Statement of Net Position is designed to display the financial position of the primary government (governmental and business-type activities) and its discretely presented component unit. 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.

#### Statement of Activities:

The government-wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is 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.

Notes to Financial Statements At June 30, 2017 (Continued)

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

#### Fund Financial Statements:

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 are reported as separate columns in the fund financial statements.

#### **Budgetary Comparison Schedules:**

Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their government over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the GASB 34 reporting model, governments provide budgetary comparison information in their annual reports including the original budget, final budget and actual results.

#### A. Financial Reporting Entity

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present the County of Madison, Virginia (the primary government) and its component unit. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government.

#### B. Individual Component Unit Disclosures

<u>Blended Component Units:</u> The County has no blended component units to be included for the fiscal year ended June 30, 2017.

<u>Discretely Presented Component Unit:</u> The School Board operates the County Public School System. Members are currently elected by popular vote. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments. The primary funding is from the General Fund of the County. The School Fund does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation in the County financial statements for the fiscal year ended June 30, 2017.

<u>Discretely Presented Component Unit:</u> The Madison County Parks and Recreation Authority was formed in 1982, by action of the Board of Supervisors. The Authority is a seven member board. Each member is appointed by the Board of Supervisors. The Madison County Parks and Recreation Authority is included in the financial statements of the County due to the nature of its contractual relationship with the County. The Authority provides services which benefit the County. The Authority does not issue separate financial statements and is included as a discrete presentation in the County's financial statements.

Notes to Financial Statements At June 30, 2017 (Continued)

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

### B. Individual Component Unit Disclosures (Continued)

The Madison County School Board has the following funds:

### **Governmental Funds:**

<u>School Operating Fund</u> - This fund is the primary operating fund of the School Board and accounts for and reports all revenues and expenditures applicable to the general operations of the public school system. Revenues are derived primarily from charges for services, appropriations from the County of Madison and state and federal grants. The School Operating Fund is considered a major fund of the School Board for financial reporting purposes.

<u>School Cafeteria Fund</u> - This fund accounts for and reports the operations of the School Board's food service program. Financing is provided primarily by food and beverage sales, and state and federal grants. The School Cafeteria Fund is considered a major fund for financial reporting purposes.

<u>School Lottery Fund</u> - This fund accounts for and reports the state school lottery revenues.

<u>School Capital Fund</u> - This fund accounts for and reports for the school capital projects. The school capital fund is considered a major fund for financial reporting purposes.

School Textbook Fund - This fund accounts for and reports for the school textbook funds.

### C. Other Related Organizations

Excluded from the County's Financial Statements:

Rappahannock-Rapidan Community Services Board, Central Virginia Regional Jail, Rappahannock Juvenile Detention Center, and the Rapidan Service Authority: The County, in conjunction with other localities, has created the Rappahannock-Rapidan Community Services Board, Central Virginia Regional Jail, Rappahannock Juvenile Detention Center, and the Rapidan Service Authority. The governing bodies of these organizations are appointed by the respective governing bodies of the participating jurisdictions.

### D. 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 fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of 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.

Notes to Financial Statements At June 30, 2017 (Continued)

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

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

The government-wide statement of activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) which are otherwise being supported by general government revenues, (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. 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. All other revenue items are considered to be measurable and available only when cash is received by the government. 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.

The County's fiduciary funds are presented in the fund financial statements by type. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

In the fund financial statements, financial transactions and accounts of the County are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

### 1. Governmental Funds:

Governmental Funds are those through which most governmental functions typically are financed. The government reports the following major governmental funds:

#### a. General Fund

The General Fund is the primary operating fund of the County. This fund is used to account for and report all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income. A significant part of the General Fund's revenues is used principally to finance the operations of the Component Unit School Board.

Notes to Financial Statements At June 30, 2017 (Continued)

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

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

### b. Capital Improvement Fund

The Capital Improvement Fund accounts for and reports all financial resources used for the acquisition or construction of major capital facilities. The Capital Improvement Fund is considered a major fund at June 30, 2017.

## 2. Fiduciary Funds (Trust and Agency Funds):

Fiduciary Funds (Trust and Agency Funds) account for assets held by the County in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Agency Funds. These funds utilize the accrual basis of accounting described in the Governmental Fund Presentation. Fiduciary funds are not included in the government-wide financial statements. The County's only Agency Fund is the Special Welfare Fund.

### E. Budgets and Budgetary Accounting

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

- 1. The County Administrator submits to the Board of Supervisors a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
- 2. Public hearings are conducted to obtain citizen comments.
- 3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
- 4. The Appropriations Resolution places legal restrictions on expenditures at the department level or category level. The appropriation for each department or category can be revised only by the Board of Supervisors. 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.
- 5. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for the General Fund, Capital Improvement Fund, School Fund and School Cafeteria Fund of the School Board.
- 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.
- 8. All budgetary data presented in the accompanying financial statements is the original to the current comparison of the final budget and actual results.

Notes to Financial Statements At June 30, 2017 (Continued)

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

### F. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, and repurchase agreements.

### G. 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.

## H. 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 "due to/from other funds" (i.e., the current portion of interfund loans). All other outstanding balances between funds are reported as "advances to/from other funds" (i.e. the noncurrent portion of interfund loans).

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$474,298 at June 30, 2017 and is comprised solely of 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 and collectible on June 5th and December 5th. Personal property taxes are payable and collectible on December 5th. The County bills and collects its own property taxes.

### I. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the County as land, buildings, road registered vehicles, and equipment with an initial individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. There are no business-type activities reported for Madison County.

Notes to Financial Statements At June 30, 2017 (Continued)

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

## I. Capital Assets: (Continued)

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

Assets	Years
Buildings	40
Building improvements	20 to 40
Vehicles	3 to 5
Office and computer equipment	5
Buses	12

### J. Compensated Absences

Vested or accumulated vacation leave 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. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the Statement of Activities and a long-term obligation in the Statement of Net Position. In accordance with the provisions of Governmental Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement. The Department of Social Services and the Component Unit School Board pay a portion of unused sick leave upon separation. The County does not have sick leave.

### K. Long-term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities. 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, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld, from the actual debt proceeds received, are reported as debt service expenditures.

### L. 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 amounts and disclosures. Accordingly, actual results could differ from those estimates.

Notes to Financial Statements At June 30, 2017 (Continued)

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

### M. Fund Balances

### Financial Policies

The Board of Supervisors meets on a monthly basis to manage and review cash financial activities and to insure compliance with established policies. It is the County's policy to fund current expenditures with current revenues and the County's mission is to strive to maintain a diversified and stable revenue stream to protect the government from fluctuations in any single revenue source and provide stability to ongoing services. The County's unassigned General Fund balance will be maintained to provide the County with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing.

The County reports fund balances in accordance with GASB Statement No. 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:

<u>Nonspendable fund balance</u> - Includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes inventories, prepaid amounts, assets held for sale, and long-term receivables.

<u>Restricted fund balance</u> - Constraints placed on the use of these resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or other governments; or are imposed by law (through constitutional provisions or enabling legislation).

<u>Committed fund balance</u> - Amounts that can only be used for specific purposes because of a formal action (resolution or ordinance) by the government's highest level of decision-making authority. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned fund balance - Amounts that are constrained by the County's intent to be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body, another body (such as a Finance Committee), or by an official to whom that authority has been given. With the exception of the General Fund, this is the residual fund balance classification for all governmental funds with positive balances.

<u>Unassigned fund balance</u> - This is the residual classification of the General Fund. Only the General Fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amounts had been restricted, committed or assigned.

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

Notes to Financial Statements At June 30, 2017 (Continued)

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

## M. Fund Balances (Continued)

## Financial Policies (Continued)

The Board of Supervisors is authorized to assign amounts for specific purposes. The Board of Supervisors is also authorized to commit amounts for specific purposes. The following is detail of County's and School Board's Fund Balances:

Category		General Fund		Capital Projects Fund	Component Unit School Board
Nonspendable:					
Prepaid expenditures	\$	39,363	\$	-	\$ 9,951
Inventory		-		-	23,310
Total Nonspendable	\$	39,363	\$	-	\$ 33,261
Restricted:			-		
School Lottery Funds	\$	-	\$	-	\$ 1,895
Asset Forfeitures		55,355		-	-
Unspent bond proceeds - school projects		-		108,195	-
Toppings Funds		71,691		-	-
Animal donations		7,718		-	-
School Textbook Funds	_	-	_	-	 52,937
Total Restricted	\$	134,764	\$	108,195	\$ 54,832
Committed:					
Capital Projects	\$	-	\$	365,444	\$ 34,181
Encumbrances		221,001		-	-
Micro Enterprise		32,813		-	-
School Operations		-		-	2,000
Cafeteria		-	_	-	 274,976
Total Committed	\$_	253,814	\$	365,444	\$ 311,157
Assigned:					
Tourism	\$	170,178	\$	-	\$ -
School Capital Projects		249,896		-	-
Sheriff		15,516	_	-	 
Total Assigned	\$	435,590	\$	-	\$ -
Unassigned	\$	12,714,213	\$	-	\$ (9,951)
Total Fund Balance	\$	13,577,744	\$	473,639	\$ 389,299

Notes to Financial Statements At June 30, 2017 (Continued)

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

### N. 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.

### O. 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.

### P. 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 asset or liability measurement date, which will be recognized as an increase to or a reduction of the net pension asset liability next fiscal year. It is also comprised of certain items related to the measurement of the net difference between projected actual earnings on pension plan investments. For more detailed information on these items, reference the pension note.

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 amounts prepaid on the 2nd half installments and the 2nd half installment and is deferred and recognized as an inflow of resources in the period that the amount becomes available. This also includes uncollected property taxes due prior to June 30. Under the accrual basis, amounts prepaid on the 2nd half installments and the 2nd half installments are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension asset or liability are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, 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.

Notes to Financial Statements At June 30, 2017 (Continued)

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

### Q. Pensions

For purposes of measuring the net pension asset or 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.

## Note 2 - 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 the County and Component Unit School Board 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).

### Credit Risk of Debt Securities

The County does not have a policy related to credit risk of debt securities.

The County's rated debt investments as of June 30, 2017 were rated by Standard & Poor's and the ratings are presented below using Standard & Poor's rating scale.

County's Rated Debt Investments' Values							
		Fair Quality					
		Ratings					
Rated Debt Investments	_	AAAm					
U.S. Government Securities	\$	71,271					
Local Government Investment Pool		1,522,289					
Total	\$	1,593,560					

Notes to Financial Statements At June 30, 2017 (Continued)

## Note 2 - Deposits and Investments: (Continued)

## **External Investment Pool**

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

### Interest Rate Risk

The County does not have a policy related to interest rate risk.

## Investment Maturities (in years)

Investment Type	 Fair Value	Less than 1 year	Greater than 10 years
U.S. Government Securities	\$ 71,271 \$	- \$	71,271
Local Government Investment Pool	1,522,289	1,522,289	
Total	\$ 1,593,560 \$	1,522,289 \$	71,271

## Note 3 - Due From Other Governmental Units:

		Primary		Component Unit
		Government		School Board
Commonwealth of Virginia:	_		•	
Local sales tax	\$	187,533	\$	-
Public assistance and welfare administration		65,915		-
State sales tax		-		385,564
Comprehensive services		364,507		-
Communications tax		90,126		-
Shared expenses		108,394		-
Fire program		-		-
Department of Justice		15,708		-
Other state funds		56,128		-
Federal Government:				
School funds		-		121,718
Public safety		15,963		-
Public assistance and welfare administration	_	83,409		
Totals	\$	987,683	\$	507,282

Notes to Financial Statements At June 30, 2017 (Continued)

## Note 4 - Capital Assets:

The following is a summary of capital assets for the fiscal year ended June 30, 2017:

		Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Primary Government:	-	July 1, 2010	Additions	Deletions	Julie 30, 2017
Capital assets not being depreciated:  Land  Construction in progress	\$	1,419,418 \$ 57,206	- \$ -	- \$ 57,206	1,419,418
Total capital assets not being depreciated	\$	1,476,624 \$	- \$	57,206 \$	1,419,418
Capital assets being depreciated: Buildings and improvements Equipment (including vehicles) Jointly owned assets	\$	17,234,401 \$ 2,989,579 11,433,588	- \$ 429,019 -	- \$ 283,367 900,460	17,234,401 3,135,231 10,533,128
Total capital assets being depreciated	\$_	31,657,568 \$	429,019 \$	1,183,827 \$	30,902,760
Less accumulated depreciation: Buildings and improvements Equipment (including vehicles) Jointly owned assets	\$	(4,880,366) \$ (2,012,554) (848,425)	(490,112) \$ (325,454) (263,328)	- \$ (260,967) (162,947)	(5,370,478) (2,077,041) (948,806)
Total accumulated depreciation	\$_	(7,741,345) \$	(1,078,894) \$	(423,914) \$	(8,396,325)
Net capital assets being depreciated	\$_	23,916,223 \$	(649,875) \$	759,913 \$	22,506,435
Net capital assets	\$_	25,392,847 \$	(649,875) \$	817,119 \$	23,925,853
		Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Component Unit - School Board: Capital assets not being depreciated: Land Construction in progress Total capital assets not being depreciated	\$	July 1, 2016 109,803 \$	- \$ 47,552	- \$ 47,552	June 30, 2017 109,803
Capital assets not being depreciated: Land Construction in progress Total capital assets not being depreciated	\$ \$_	July 1, 2016	- \$	- \$	June 30, 2017
Capital assets not being depreciated: Land Construction in progress	\$ \$ \$_	July 1, 2016 109,803 \$	- \$ 47,552	- \$ 47,552	June 30, 2017 109,803
Capital assets not being depreciated: Land Construction in progress Total capital assets not being depreciated Capital assets being depreciated: Buildings and improvements Equipment (including vehicles)	\$_	July 1, 2016  109,803 \$  109,803 \$  5,755,387 \$ 4,508,639	- \$ 47,552 47,552 \$  102,364 \$ 162,907	- \$ 47,552 47,552 \$	June 30, 2017  109,803  -  109,803  5,857,751 4,671,546
Capital assets not being depreciated: Land Construction in progress Total capital assets not being depreciated  Capital assets being depreciated: Buildings and improvements Equipment (including vehicles) Jointly owned assets	\$_ \$_	July 1, 2016  109,803 \$  109,803 \$  109,803 \$  5,755,387 \$ 4,508,639 \$ 8,627,625	- \$ 47,552 47,552 \$ 102,364 \$ 162,907 900,460	- \$ 47,552  47,552 \$  - \$ -	June 30, 2017  109,803  -  109,803  5,857,751 4,671,546 9,528,085
Capital assets not being depreciated: Land Construction in progress Total capital assets not being depreciated Capital assets being depreciated: Buildings and improvements Equipment (including vehicles) Jointly owned assets Total capital assets being depreciated Less accumulated depreciation: Buildings and improvements Jointly owned assets	\$ \$	July 1, 2016  109,803 \$  109,803 \$  109,803 \$  5,755,387 \$ 4,508,639 \$ 8,627,625  18,891,651 \$  (5,419,185) \$ (2,264,568)	- \$ 47,552 \$  102,364 \$ 162,907 900,460  1,165,731 \$  (340,429) \$ (462,854)	- \$ 47,552 \$ - \$ \$	June 30, 2017  109,803  109,803  5,857,751 4,671,546 9,528,085  20,057,382  (5,759,614) (2,727,422)
Capital assets not being depreciated: Land Construction in progress  Total capital assets not being depreciated  Capital assets being depreciated: Buildings and improvements Equipment (including vehicles) Jointly owned assets  Total capital assets being depreciated  Less accumulated depreciation: Buildings and improvements Jointly owned assets  Equipment (including vehicles)	\$ \$ \$ \$	July 1, 2016  109,803 \$  109,803 \$  109,803 \$  5,755,387 \$ 4,508,639 8,627,625  18,891,651 \$  (5,419,185) \$ (2,264,568) (3,391,652)	- \$ 47,552 \$  102,364 \$ 162,907 900,460  1,165,731 \$  (340,429) \$ (462,854) (309,552)	- \$ 47,552 \$  47,552 \$  - \$ - \$ - \$	June 30, 2017  109,803  - 109,803  5,857,751 4,671,546 9,528,085 20,057,382  (5,759,614) (2,727,422) (3,701,204)

Notes to Financial Statements At June 30, 2017 (Continued)

## Note 4 - Capital Assets: (Continued)

The following is a summary of capital assets for the fiscal year ended June 30, 2017: (Continued)

	_	Balance July 1, 2016	Additions	_	Deletions		Balance June 30, 2017
Component Unit - Parks and Recreation Autho Capital assets not being depreciated:	rity	:					
Construction in progress	\$	- \$	70,455	\$	28,395	\$	42,060
Total capital assets not being depreciated	\$	- \$	70,455	\$	28,395	\$	42,060
Capital assets being depreciated: Buildings and improvements Equipment	\$	- \$	28,395 76,554		-	\$	28,395 76,554
Total capital assets being depreciated	\$_		104,949	. \$_	-	\$_	104,949
Less accumulated depreciation: Buildings and improvements Equipment	\$	- \$ -	(1,420) (47,535)	\$	-	\$	(1,420) (47,535)
Total accumulated depreciation	\$_	- \$	(48,955)	\$_	-	\$_	(48,955)
Net capital assets being depreciated	\$	- \$	55,994	\$	-	\$	55,994
Net capital assets	\$	- \$	126,449	\$	28,395	\$	98,054

Depreciation expense was charged to functions/programs of the primary government and Component Unit School Board as follows:

Primary Government:		
Governmental activities:		
General government administration	\$	33,218
Judicial administration		352,942
Public safety		281,935
Public works		41,727
Health and welfare		29,441
Education		263,328
Parks, recreation and cultural		75,164
Community development	_	1,139
Total	\$	1,078,894
Component Unit School Board	\$	949,888
Depreciation Expense	\$	649,981
Joint tenancy transfer of accumulated depreciation		162,947
Total additions to accumulated depreciation, previous page	\$_	812,928
Component Unit Parks and Recreation Authority	\$	11,384
Depreciation Expense	\$	11,384
County transfer of accumulated depreciation	_	37,572
Total additions to accumulated depreciation, previous page	\$_	48,956

Notes to Financial Statements At June 30, 2017 (Continued)

## Note 5 - Compensated Absences:

In accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, the County has accrued the liability arising from compensated absences.

County employees earn vacation and sick leave at various rates. No benefits or pay is received for unused sick leave upon termination. The County and School Board had outstanding accrued vacation pay as follows:

Primary Government	\$ 412,710		
Component Unit School Board	\$ 412,230		

### Note 6 - Due From/To Primary Government/Component Units:

Fund		Due from	Due to
General	\$	420,397	\$ -
School Board	_	-	420,397
Total	\$	420,397	\$ 420,397

### Note 7 - Pension Plan:

### Plan Description

All full-time, salaried permanent employees of the County and (nonprofessional) employees of public school divisions are automatically covered by 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. 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 <u>Code of Virginia</u>, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

Notes to Financial Statements At June 30, 2017 (Continued)

## Note 7 - Pension Plan: (Continued)

Plan Description: (Continued)

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

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

Notes to Financial Statements At June 30, 2017 (Continued)

## Note 7 - Pension Plan: (Continued)

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

Notes to Financial Statements At June 30, 2017 (Continued)

## Note 7 - Pension Plan: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)						
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN				
Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees are paying the full 5% as of July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees are paying the full 5% as of July 1, 2016.	Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.				
Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	Creditable Service Same as Plan 1.	Creditable Service  Defined Benefit Component: Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.				

Notes to Financial Statements At June 30, 2017 (Continued)

## Note 7 - Pension Plan: (Continued)

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

## Note 7 - Pension Plan: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)					
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN			
Vesting (Cont.)	Vesting (Cont.)	Vesting (Cont.)  Defined Contributions Component: (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.  • After two years, a member is 50% vested and may withdraw 50% of employer contributions.  • After three years, a member is 75% vested and may withdraw 75% of employer contributions.  • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.  Distribution is not required by law until age 70½.			
Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.	Calculating the Benefit See definition under Plan 1.	Calculating the Benefit  Defined Benefit Component: See definition under Plan 1.			

Notes to Financial Statements At June 30, 2017 (Continued)

## Note 7 - Pension Plan: (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.)  Defined Contribution Component: The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.			
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.			
Service Retirement Multiplier 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%.	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.	Service Retirement Multiplier Defined Benefit Component: VRS: The retirement multiplier for the defined benefit component is 1.00%.  For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.			
Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.	Political subdivision hazardous duty employees: Same as Plan 1.	Sheriffs and regional jail superintendents: Not applicable.  Political subdivision hazardous duty employees: Not applicable.  Defined Contribution Component: Not applicable.			

Notes to Financial Statements At June 30, 2017 (Continued)

## Note 7 - Pension Plan: (Continued)

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

Notes to Financial Statements At June 30, 2017 (Continued)

## Note 7 - Pension Plan: (Continued)

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

Notes to Financial Statements At June 30, 2017 (Continued)

## Note 7 - Pension Plan: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)						
PLAN 1	PLAN 1 PLAN 2 HYBRID RETIREMENT F					
Cost-of-Living Adjustment (COLA) in Retirement (Cont.)	Cost-of-Living Adjustment (COLA) in Retirement (Cont.)	Cost-of-Living Adjustment (COLA) in Retirement (Cont.)				
Exceptions to COLA Effective  Dates: The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:  • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.  • The member retires on disability.  • The member retires directly from short-term or long- term disability under the Virginia Sickness and Disability Program (VSDP).  • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.  • 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.	Exceptions to COLA Effective Dates: Same as Plan 1.	Exceptions to COLA Effective Dates: Same as Plan 1 and Plan 2.				

Notes to Financial Statements At June 30, 2017 (Continued)

## Note 7 - Pension Plan: (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	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.	Disability Coverage Employees of political subdivisions (including Plan 1 and Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.				
one-year waiting period before becoming eligible for non-work-related disability benefits.	VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.				
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	Purchase of Prior Service Same as Plan 1.	Purchase of Prior Service  Defined Benefit Component:  Same as Plan 1, with the following exceptions:  • Hybrid Retirement Plan members are ineligible for ported service.  • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.  • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost.  Defined Contribution Component: Not applicable.				

Notes to Financial Statements At June 30, 2017 (Continued)

## Note 7 - Pension Plan: (Continued)

### Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <a href="http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf">http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf</a>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

## Employees Covered by Benefit Terms

As of the June 30, 2015 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Primary Government	Component Unit School Board Nonprofessional
Inactive members or their beneficiaries currently receiving benefits	52	36
Inactive members: Vested inactive members	10	13
Non-vested inactive members	24	8
Inactive members active elsewhere in VRS	45	14
Total inactive members	79	35
Active members	93	47
Total covered employees	224	118

#### **Contributions**

The contribution requirement for active employees is governed by §51.1-145 of the <u>Code of Virginia</u>, 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, 2017 was 8.82% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

Notes to Financial Statements At June 30, 2017 (Continued)

## Note 7 - Pension Plan: (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 County were \$393,926 and \$493,214 for the years ended June 30, 2017 and June 30, 2016, respectively.

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2017 was 0.22% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

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 \$4,002 and \$35,470 for the years ended June 30, 2017 and June 30, 2016, respectively.

## Net Pension Liability/Asset

The County's and Component Unit School Board's (nonprofessional) net pension liability/asset were measured as of June 30, 2016. The total pension liabilities used to calculate the net pension liability/asset were determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

### Actuarial Assumptions - General Employees

The total pension liability for General Employees in the County's and Component Unit School Board's (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2015, 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, 2016.

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\*

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

<sup>\*</sup> 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 At June 30, 2017 (Continued)

## Note 7 - Pension Plan: (Continued)

Actuarial Assumptions - General Employees: (Continued)

#### 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, 2015 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 County's Retirement Plan was based on an actuarial valuation as of June 30, 2015, 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, 2016.

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\*

<sup>\*</sup> 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 At June 30, 2017 (Continued)

## Note 7 - 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, 2015 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 At June 30, 2017 (Continued)

## Note 7 - 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 arithme	tic nominal return	8.33%

<sup>\*</sup> 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%.

Notes to Financial Statements At June 30, 2017 (Continued)

## Note 7 - 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 County and Component Unit School Board (nonprofessional) Retirement Plans will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

## Changes in Net Pension Liability (Asset)

	Primary Government Increase (Decrease)					
		Total Pension Liability (a)		Plan Fiduciary Net Position (b)		Net Pension Liability (a) - (b)
Balances at June 30, 2015	\$	15,871,296	\$_	14,952,747	\$	918,549
Changes for the year:						
Service cost	\$	516,914	\$	-	\$	516,914
Interest		1,078,393		-		1,078,393
Differences between expected						
and actual experience		(282,251)		-		(282,251)
Contributions - employer		-		489,952		(489,952)
Contributions - employee		-		208,419		(208,419)
Net investment income		-		261,173		(261,173)
Benefit payments, including refunds						
of employee contributions		(931,371)		(931, 371)		-
Administrative expenses		-		(9,269)		9,269
Other changes		-		(110)		110
Net changes	\$	381,685	\$	18,794	\$	362,891
Balances at June 30, 2016	\$	16,252,981	\$	14,971,541	\$	1,281,440

Notes to Financial Statements At June 30, 2017 (Continued)

Note 7 - Pension Plan: (Continued)

Changes in Net Pension Liability (Asset) (Continued)

	Component School Board (nonprofessional)					ofessional)
	Increase (Decrease)					
		Total Pension Liability (a)		Plan Fiduciary Net Position (b)		Net Pension Liability (asset) (a) - (b)
Balances at June 30, 2015	\$	3,331,026	\$_	3,763,043	\$	(432,017)
Changes for the year:						
Service cost	\$	66,822	\$	-	\$	66,822
Interest		227,787		-		227,787
Differences between expected						
and actual experience		(210,778)		-		(210,778)
Contributions - employer		-		34,045		(34,045)
Contributions - employee		-		35,144		(35,144)
Net investment income		-		64,136		(64,136)
Benefit payments, including refunds						
of employee contributions		(153,861)		(153,861)		-
Administrative expenses		-		(2,362)		2,362
Other changes		-		(27)		27
Net changes	\$	(70,030)	\$	(22,925)	\$	(47,105)
Balances at June 30, 2016	\$	3,260,996	\$	3,740,118	\$	(479,122)

## Sensitivity of the Net Pension Liability/Asset to Changes in the Discount Rate

The following presents the net pension liability (asset) of the County and Component Unit School Board (nonprofessional) using the discount rate of 7.00%, as well as what the County's and Component Unit School Board's (nonprofessional) net pension liability (asset) 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 Net Pension Liability (Asset)	\$ 3,421,554 \$	1,281,440 \$	(490,255)
Component Unit School Board (nonprofessional) Net Pension Liability (Asset)	\$ (101,681) \$	(479,122) \$	(795,480)

Notes to Financial Statements At June 30, 2017 (Continued)

## Note 7 - Pension Plan: (Continued)

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

For the year ended June 30, 2017, the County and Component Unit School Board (nonprofessional) recognized pension expense of \$251,002 and (\$104,215), respectively. At June 30, 2017, the County and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

				Component U	nit School	
	Primary Government			Board (nonprofessional)		
	Deferred Deferred		Deferred	Deferred		
	Outflows of		Inflows of	Outflows of	Inflows of	
	_	Resources	Resources	Resources	Resources	
Differences between expected and actual experience	\$	- \$	286,911 \$	- \$	171,750	
Change in assumptions		-	-	-	-	
Net difference between projected and actual earnings on pension plan investments		387,708	-	95,122	-	
Employer contributions subsequent to the measurement date	_	393,926		4,002		
Total	\$_	781,634 \$	286,911 \$	99,124 \$	171,750	

\$393,926 and \$4,002 reported as deferred outflows of resources related to pensions resulting from the County's and Component Unit School Board's (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2018. 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:

Year ended June 30	_	Primary Government	_	Component Unit School Board (nonprofessional)
2018	\$	(107,056)	\$	(97,944)
2019		(103,458)		(68,757)
2020		155,903		50,827
2021		155,408		39,246
Thereafter		-		-

Notes to Financial Statements At June 30, 2017 (Continued)

## Note 7 - Pension Plan: (Continued)

## Component Unit School Board (professional)

### Plan Description

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Retirement Plan upon employment. This is a cost-sharing multiple employer plan administered by the Virginia Retirement System (the system). Additional information regarding the plan description can be found in the first section of this note.

### **Contributions**

The contribution requirement for active employees is governed by §51.1-145 of the <u>Code of Virginia</u>, as amended, but may be impacted as a result of funding options provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5% 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.

Each School Division's contractually required contribution rate for the year ended June 30, 2017 was 14.66% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects 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 this 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, 2017. Contributions to the pension plan from the School Board were \$1,509,261 and \$1,315,902 for the years ended June 30, 2017 and June 30, 2016, respectively.

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

At June 30, 2017, the school division reported a liability of \$17,507,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2016 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, 2016 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2016, the school division's proportion was .12492% as compared to .12919% at June 30, 2015.

Notes to Financial Statements At June 30, 2017 (Continued)

## Note 7 - 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)

For the year ended June 30, 2017, the school division recognized pension expense of \$1,265,000. 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, 2017, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
Differences between expected and actual experience	\$ -	\$	568,000	
Change in assumptions	-		-	
Net difference between projected and actual earnings on pension plan investments	1,000,000		-	
Changes in proportion and differences between employer contributions and proportionate share of contributions	-		849,000	
Employer contributions subsequent to the measurement date	1,509,261	_		
Total	\$ 2,509,261	\$_	1,417,000	

\$1,509,261 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, 2018. 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:

Year ended June 30	_	
2018	\$	(358,000)
2019		(358,000)
2020		234,000
2021		150,000
Thereafter		(85,000)

Notes to Financial Statements At June 30, 2017 (Continued)

### Note 7 - Pension Plan: (Continued)

## Component Unit School Board (professional): (Continued)

### Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2015, 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, 2016.

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\*

### 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

<sup>\*</sup> 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 At June 30, 2017 (Continued)

## Note 7 - Pension Plan: (Continued)

## Component Unit School Board (professional): (Continued)

### Actuarial Assumptions: (Continued)

The actuarial assumptions used in the June 30, 2015 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

### Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2017, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

		Teacher Employee Retirement Plan
Tatal Danaian Liability	φ.	44 102 227
Total Pension Liability	\$	44,182,326
Plan Fiduciary Net Position		30,168,211
Employer's Net Pension Liability (Asset)	\$	14,014,115
	-	
Plan Fiduciary Net Position as a Percentage		
of the Total Pension Liability		68.28%

The total pension liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net pension liability is disclosed in accordance with the requirements of GASB Statement No. 67 in the System's notes to the financial statements and required supplementary information.

Notes to Financial Statements At June 30, 2017 (Continued)

## Note 7 - Pension Plan: (Continued)

## Component Unit School Board (professional): (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 arithme	tic nominal return	8.33%

<sup>\*</sup> 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%.

Notes to Financial Statements At June 30, 2017 (Continued)

# Note 7 - Pension Plan: (Continued)

# Component Unit School Board (professional): (Continued)

#### Discount Rate

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

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

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

Data

		кате	
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate			
share of the VRS Teacher			
Employee Retirement Plan			
Net Pension Liability (Asset) \$	24,956,000	\$ 17,507,000	\$ 11,370,000

#### Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <a href="http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf">http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf</a>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Notes to Financial Statements At June 30, 2017 (Continued)

# Note 8 - Long-Term Obligations:

Primary Government-Long-term Obligations:

# <u>Changes in Long-Term Obligations:</u>

The following is a summary of long-term obligation transactions for the year ended June 30, 2017:

	_	Balance at July 1, 2016	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2017	Amounts Due Within One Year
Governmental Activities:						
Public Facility Lease Revenue Bond	\$	8,933,000 \$	-	660,000 \$	8,273,000 \$	674,500
Variable Rate Demand Revenue Bond		2,000,000	-	-	2,000,000	190,000
Landfill closure liability		428,253	5,567	30,987	402,833	30,987
State literary fund loan		1,550,000	-	310,000	1,240,000	310,000
Capital leases		273,845	-	133,170	140,675	107,278
Net OPEB obligation		109,240	40,000	6,000	143,240	-
Net pension liability		918,549	1,604,686	1,241,795	1,281,440	-
Compensated absences	_	460,736	46,074	94,100	412,710	41,271
Total governmental activities	\$_	14,673,623 \$	1,696,327 \$	2,476,052 \$	13,893,898 \$	1,354,036

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

				VACO/VML VACO/VML		VML				
Year		State Lit	erary	Public Facili	ty Lease	Variable Rate Demand				
Ending		Fund L	.oan	Revenue	Bond	Revenue	Bond	Capital Leases		
June 30,		Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2018	\$	310,000 \$	37,200 \$	674,500 \$	177,870 \$	190,000 \$	29,579 \$	107,278 \$	3,050	
2019		310,000	27,900	690,000	163,368	190,000	26,501	33,397	564	
2020		310,000	18,600	703,500	148,533	190,000	23,423	-	-	
2021		310,000	9,300	719,000	133,408	190,000	20,345	-	-	
2022		-	-	734,500	117,949	190,000	17,267	-	-	
2023		-	-	750,500	102,157	190,000	14,189	-	-	
2024		-	-	766,500	86,022	190,000	11,110	-	-	
2025		-	-	783,000	69,542	195,000	7,958	-	-	
2026		-	-	800,000	52,707	195,000	4,799	-	-	
2027		-	-	817,000	35,507	195,000	1,640	-	-	
2028		-	-	834,500	17,942	85,000	115	-	-	
2029		-	-	-	-	-	-	-	-	
2030	_				-		-			
Total	\$_	1,240,000 \$	93,000 \$	8,273,000 \$	1,105,005 \$	2,000,000 \$	156,926 \$	140,675 \$	3,614	

Notes to Financial Statements At June 30, 2017 (Continued)

# Note 8 - Long-Term Obligations: (Continued)

Details of Long-Term Obligations:

		Amount Outstanding		Amounts Due Within One Year
State Literary Fund Loan:			_	
\$6,200,000, issued December 1, 2000 due in varying installments through December 1, 2020, interest at 3%	\$	1,240,000	\$_	310,000
VACO/VML Public Facility Lease Revenue Bond:				
\$10,762,500 Ioan issued January 25, 2013 due in varying installments through November 2027. Interest is payable annually at 2.15%.  VACO/VML Variable Rate Demand Revenue Bond:	\$_	8,273,000	\$	674,500
\$2,500,000 loan issued April 3, 2014 due in varying installments through July 2029. Interest is payable in a Flexible Rate and Term mode. The Flexible Rate and Term are determined by the Remarketing Agent. The Flexible Rate for each Flexible Rate Term shall be the minimum rate of interest which the Remarketing Agent determines would be necessary to sell the Series A bonds. The amount drawn on the loan at June 30, 2017 was \$2,000,000.	\$	2,000,000	\$_	190,000
Capital Leases:	-		-	
\$472,794 lease issued October 21, 2011 due in annual installments of principal and interest of \$81,232 through October 2018. Interest is payable at 2.185%. The assets acquired through the capital lease are \$472,794 for emergency operations equipment and had \$236,397 of accumulated depreciation as of June 30, 2016.	\$	111,841	\$	78,444
\$223,500 lease issued November 1, 2013 due in annual installments of principal and interest of \$29,098 through November 2017. Interest is payable at 1.83%. The assets acquired through the capital lease are \$223,500 for police vehicles and a public works vehicle and had				
\$132,143 of accumulated depreciation as of June 30, 2016.	φ-	28,834		28,834
Total Capital Leases	\$.	140,675	\$_	107,278
Landfill closure liability	\$_	402,833	\$_	30,590
Net OPEB obligation Net pension liability	\$ \$	143,240	\$ _ \$	
Compensated absences	э \$	412,710		41,271
·	Ţ.		· [ •	
Total long-term obligations	\$	13,893,898	\$	1,353,639

Notes to Financial Statements At June 30, 2017 (Continued)

# Note 8 - Long-Term Obligations: (Continued)

# <u>Discretely Presented Component Unit-School Board Obligations:</u>

The following is a summary of long-term obligation transactions for the fiscal year ended June 30, 2017:

	_	Balance at July 1, 2016	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2017	Amounts Due Within One Year
Compensated absences Capital leases Net pension liability	\$	399,486 \$ 126,089 16,260,000	52,693 \$ - 3,991,000	39,949 \$ 62,028 2,744,000	412,230 \$ 64,061 17,507,000	41,223 64,061
Net OPEB obligation		214,760	114,000	48,000	280,760	-
Total Component Unit	\$	17,000,335 \$	4,157,693 \$	2,893,977 \$	18,264,051 \$	105,284

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

Year Ending	Capital Leases				
June 30,	Principal		Interest		
2018	\$ 64,061	\$	2,115		
Total	\$ 64,061	\$	2,115		

Details of long-term obligations are as follows:

		Amount Outstanding
Capital Leases:	-	outstanding
\$194,999 capital lease for laptops payable in various annual principal installments through July 24, 2017, interest payable at 2.50%. The assets acquired through the capital lease are \$194,999 for laptops.	\$.	49,387
\$42,888 capital lease for band uniforms in various annual principal installments through January 20, 2018, interest payable at 5.997%. The assets acquired through the capital lease are \$42,888 for band uniforms.		14,674
	-	· · · · · · · · · · · · · · · · · · ·
Total Capital Leases	\$.	64,061
Compensated absences	\$	412,230
Net pension liability	\$	17,507,000
Net OPEB obligation	\$	280,760
Total long-term obligations	\$	18,264,051

Notes to Financial Statements At June 30, 2017 (Continued)

# Note 9 - Deferred/Unavailable/Unearned Revenue:

Unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Under the accrual basis, assessments for future periods are deferred.

		vernment-wide Statements	Balance Sheet
	G	overnmental	Governmental
		Activities	Funds
Primary Government:			
Deferred/Unavailable property tax revenue:			
Deferred/Unavailable revenue representing uncollected property tax billings for which asset recognition criteria has not been met. The uncollected tax billings are not available			
for the funding of current expenditures.	\$	- 9	\$ 843,932
2nd half assessments due after June 30th		5,609,370	5,609,370
Prepaid property tax revenues representing collections received for property taxes that are applicable to the			
subsequent budget year.		185,910	185,910
Total governmental activities	\$	5,795,280	\$ 6,639,212

# Note 10 - Contingent Liabilities:

Federal programs in which the County and its component unit participate were audited in accordance with the provisions of U.S. Office of Management and the Uniform Guidance. 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.

Notes to Financial Statements At June 30, 2017 (Continued)

# Note 11 - Surety Bonds:

	_	Amount
Virginia Department of Risk Management - Surety		
Stephanie Murray, Treasurer	\$	400,000
Leeta D. Louk, Clerk of the Circuit Court		25,000
Brian Daniel, Commissioner of the Revenue		3,000
Erik Weaver, Sheriff		30,000
Above constitutional officers' employees - blanket bond		50,000
Madison County Department of Social Services employee blanket bond		100,000
Virginia Local Government Risk Management Plan		
Madison County School Board Public Officials Liability		1,000,000
Madison County Public Officials Liability		250,000

#### Note 12 - Risk Management:

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

The County is insured by the Virginia Association of Counties (VACO) for all risks of losses. Settled claims from these risks have not exceeded commercial coverage in any of the past three fiscal years. Worker's Compensation is also carried through VACO.

#### Note 13 - Landfill Closure and Postclosure Care Cost:

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste, which occurred in fiscal year 2005, and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The \$402,833 reported as landfill closure and postclosure care liability at June 30, 2017, represents the cumulative amount reported based on the use of 100 percent of the estimated capacity of the landfill. These amounts are based on what it would cost to perform all postclosure care in 2017. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The County intends to fund these costs from any funds accumulated for this purpose in the General Fund.

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

The County plans to meet all federal laws, regulations and tests of financial assurance related to the financing of closure and postclosure care when they become effective.

Notes to Financial Statements At June 30, 2017 (Continued)

# Note 14 - Other Postemployment Benefits - Health Insurance:

#### County:

#### A. <u>Plan Description:</u>

The County post-retirement health care plan is a single employer defined benefit healthcare plan that offers insurance benefits for employees who are eligible for retirement benefits. All full-time employees who have at least 10 years of service with Madison County, and is eligible for immediate retirement benefits under VRS, or have at least 10 years of service with Madison County and is eligible for immediate disability retirement benefits under VRS. Once the participant is Medicare eligible they are no longer eligible to remain in the plan. The County's post-retirement health care Plan does not issue a separate, audited GAAP basis report.

## B. Funding Policy:

The County establishes employer contribution rates for plan participants as part of the budgetary process each year. The County also determines how the plan will be funded each year, whether it will partially fund the plan or fully fund the plan. For participating retirees, the retirees pay 100% of the published rates for individual and dependent coverage until age 65. Surviving spouses are not allowed access to the plan.

#### C. Annual OPEB Cost and Net OPEB Obligation:

The County's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

Annual required contribution	\$	40,000
Interest on net OPEB obligation		4,000
Adjustment to annual required contribution	_	(4,000)
Annual OPEB cost (expense)	\$	40,000
Contribution made	_	6,000
Increase in net OPEB obligation	\$	34,000
Net OPEB obligation-beginning of year	_	109,240
Net OPEB obligation-end of year	\$	143,240

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the two preceding year is as follows:

	Percentage					
	Annual	of Annual	Net			
Fiscal	OPEB	OPEB Cost	OPEB			
Year Ended	Cost	Contributed	Obligation			
June 30, 2015	\$ 39,000	77%	98,240			
June 30, 2016	40,000	73%	109,240			
June 30, 2017	40,000	15%	143,240			

Notes to Financial Statements At June 30, 2017 (Continued)

#### Note 14 - Other Postemployment Benefits - Health Insurance: (Continued)

#### County: (Continued)

### D. <u>Funded Status and Funding Progress</u>

The funded status of the plan as of July 1, 2015 the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$ 338,000
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability	\$ 338,000
Funded ratio (actuarial value of plan assets / AAL)	0%
Covered payroll (active plan members)	\$ 4,492,743
UAAL as a percentage of covered payroll	7.52%

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

#### E. Actuarial Methods and Assumptions

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

## Cost Method

The entry age normal cost method was used for this valuation. Under this cost method, the actuarial present value of projected benefits of every active Participant as if the Plan's provisions on the valuation date had always been in effect, is determined as a level percentage of expected annual earnings for each future year of expected service. A normal cost for each year from the assumed entry date is determined by applying this level percentage of pay to the assumed earnings for that year (or if benefits are not pay related, the level amount for each year).

Notes to Financial Statements At June 30, 2017 (Continued)

# Note 14 - Other Postemployment Benefits - Health Insurance: (Continued)

### County: (Continued)

# E. Actuarial Methods and Assumptions (Continued)

#### **Interest Assumptions**

The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 7 percent initially, reduced by decrements to an ultimate rate of 5 percent after eighty years. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2016, was thirty years.

	Unfunded
Discount rate	4.0%
Payroll growth	3.75%

### **School Board:**

#### A. Plan Description

The School Board Retiree Service Program is a single employer defined benefit healthcare plan that offers health insurance for retirees. Employees who receive an unreduced retirement benefit from VRS, has at least seven consecutive years of service immediately preceding retirement, is a full time, salaried employee of the school division at the time of applying for the program, and is not eligible for disability retirement benefits under VRS are eligible for the program. The School Board Extended Service Program does not issue a separate GAAP basis report.

#### B. Funding Policy

The School Board establishes employer contribution rates for plan participants as part of the budgetary process. The school board also determines how the plan will be funded each year, whether it will partially fund the plan or fully fund the plan. For participating retirees the School Board pays an amount per month towards the monthly premium and the retiree contributes remaining funds towards the monthly premium. Coverage ceases after seven years and there is no benefit provided after age 65. Surviving spouses are not allowed access to the plan.

# Note 14 - Other Postemployment Benefits - Health Insurance: (Continued)

#### School Board: (Continued)

#### C. Annual OPEB Cost and Net OPEB Obligation

The School 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 cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the School Board's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the School Board's net OPEB obligation:

Annual required contribution	\$	114,000
Interest on net OPEB obligation		9,000
Adjustment to annual required contribution	_	(9,000)
Annual OPEB cost (expense)	\$	114,000
Contribution made	_	48,000
Increase in net OPEB obligation	\$	66,000
Net OPEB obligation-beginning of year	_	214,760
Net OPEB obligation-end of year	\$	280,760
Increase in net OPEB obligation Net OPEB obligation-beginning of year	· -	66,000

The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the two preceding years are as follows:

	Percentage								
	Annual		Net						
Fiscal	OPEB		<b>OPEB Cost</b>		OPEB				
Year Ended	 Cost		Contributed		Obligation				
June 30, 2015 June 30, 2016	\$ 91,000 95,000		76% 88%	\$	203,760 214,760				
June 30, 2017	114,000		42%		280,760				

# D. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2016 the most recent actuarial valuation date is as follows:

Actuarial accrued liability (AAL)	1,186,000
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	1,186,000
Funded ratio (actuarial value of plan assets / AAL)	0%
Covered payroll (active plan members)	8,819,257
UAAL as a percentage of covered payroll	13.45%

Notes to Financial Statements At June 30, 2017 (Continued)

# Note 14 - Other Postemployment Benefits - Health Insurance: (Continued)

School Board: (Continued)

# D. Funded Status and Funding Progress: (Continued)

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

#### E. Actuarial Methods and Assumptions

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

#### Cost Method

The entry age normal cost method was used for this valuation. Under this cost method, the actuarial present value of projected benefits of every active Participant as if the Plan's provisions on the valuation date had always been in effect, is determined as a level percentage of expected annual earnings for each future year of expected service. A normal cost for each year from the assumed entry date is determined by applying this level percentage of pay to the assumed earnings for that year (or if benefits are not pay related, the level amount for each year).

#### **Interest Assumptions**

The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 7.00 percent initially, reduced by decrements to an ultimate rate of 5.00 percent after eighty years. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2016, was thirty years.

	Unfunded
Discount rate	4.0%
Payroll growth	3.75%

Notes to Financial Statements At June 30, 2017 (Continued)

# Note 15 - Other Postemployment Benefits-VRS Health Insurance Credit:

#### A. Plan Description

The County participates in the Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is an agent and cost sharing, multiple-employer defined benefit plan administered by the Virginia Retirement System (VRS). The Virginia General Assembly establishes the dollar amount of the health insurance credit for each year of creditable service. The credit amount and eligibility differs for state, school division, political subdivision, local officer, local social services department and general registrar retirees.

An employee of the County who retires under VRS with at least 15 years of total creditable service under the System and is enrolled in a health insurance plan, is eligible to receive a monthly health insurance credit of \$1.50 per year of creditable service up to a maximum monthly credit of \$45. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive the maximum monthly health insurance credit of \$45.

Benefit provisions and eligibility requirements are established by Title 51.1, Chapter 14 of the <u>Code of Virginia</u>. The VRS actuarially determines the amount necessary to fund all credits provided, reflects the cost of such credits in the applicable employer contribution rate pursuant to §51.1-145, and prescribes such terms and conditions as are necessary to carry out the provisions of the health insurance credit program. VRS issues separate financial statements as previously discussed in Note 7.

# **B.** Funding Policy

As a participating local political subdivision, the County is required to contribute the entire amount necessary to fund participation in the program using the actuarial basis specified by the <u>Code of Virginia</u> and the VRS Board of Trustees. The County's contribution rate for the fiscal year ended 2017 was .12% of annual covered payroll.

#### C. Annual OPEB Cost and Net OPEB Obligation

The annual cost of OPEB under Governmental Accounting Standards Board (GASB) 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, is based on the annual required contribution (ARC). The County is required to contribute the 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 cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

For 2017, the County's contribution of \$1,631 was equal to the ARC and OPEB cost. The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the two preceding years are as follows:

Fiscal Year	Annual OPEB	Percentage of ARC		Net OPEB
Ending	 Cost (ARC)	Contributed	_	Obligation
June 30, 2015	\$ 4,881	100%	\$	-
June 30, 2016	2,052	100%		-
June 30, 2017	1,631	100%		-

Notes to Financial Statements At June 30, 2017 (Continued)

# Note 15 - Other Postemployment Benefits-VRS Health Insurance Credit: (Continued)

# D. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2016, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$ 45,580
Actuarial value of plan assets	\$ 57,190
Unfunded actuarial accrued liability	\$ (11,610)
Funded ratio (actuarial value of plan assets / AAL)	125.47%
Covered payroll (active plan members)	\$ 1,851,625
UAAL as a percentage of covered payroll	-0.63%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future and reflect a long-term perspective. 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 presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

#### E. Actuarial Methods and Assumptions

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

The entry age normal cost method was used to determine the plan's funding liabilities and costs. The actuarial assumptions included a 7.0% investment rate of return, compounded annually, including an inflation component of 2.5%, and a payroll growth rate of 3%. The UAAL is being amortized as a level percentage of payrolls on a closed open basis. The remaining closed amortization period at June 30, 2016 was 18-27 years.

#### F. Professional Employees - Discretely Presented Component Unit School Board

The School Board participates in the Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is a cost sharing, multiple-employer defined benefit plan administered by the Virginia Retirement System (VRS). The Virginia General Assembly establishes the dollar amount of the health insurance credit for each year of creditable service.

Notes to Financial Statements At June 30, 2017 (Continued)

#### Note 15 - Other Postemployment Benefits-VRS Health Insurance Credit: (Continued)

# F. <u>Professional Employees - Discretely Presented Component Unit School Board: (Continued)</u>

A teacher, who retires under VRS with at least 15 years of total creditable service under the System and is enrolled in a health insurance plan, is eligible to receive a monthly health insurance credit of \$4 per year of creditable service. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive a monthly health insurance credit of \$4 multiplied by the smaller of (i) twice the amount of their creditable service or (ii) the amount of creditable service they would have completed at age 60 if they had remained in service to that age.

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 1.11% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2017, 2016, and 2015 were \$116,958, \$100,176, and \$102,406, respectively and equaled the required contributions for each year.

## Note 16 - Litigation:

At June 30, 2017, there were no matters of litigation involving the County or its component unit that would have an adverse material effect on the financial position of the reporting entity.

#### Note 17 - Fair Value Measurements:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The County maximizes the use of observable inputs and minimizes the use of unobservable inputs. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1. Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at a measurement date
- Level 2. Directly or indirectly observable inputs for the asset or liability other than quoted prices
- Level 3. Unobservable inputs that are supported by little or no market activity for the asset or Liability

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk.

Notes to Financial Statements At June 30, 2017 (Continued)

# Note 17 - Fair Value Measurements: (Continued)

The County has the following recurring fair value measurements as of June 30, 2017:

			Fair Value Measurements Using					
		•	Quoted Prices in		Significant	Significant		
			Active Markets or		Active Markets or		Other Observable	Unobservable
			Identical Assets		Inputs	Inputs		
Investment	 6/30/2017		(Level 1)		(Level 2)	(Level 3)		
U.S. Government Securities	\$ 71,271	\$.	71,271	\$	\$			
	\$ 71,271	\$	71,271	\$	\$			

#### Note 18 - Upcoming Pronouncements:

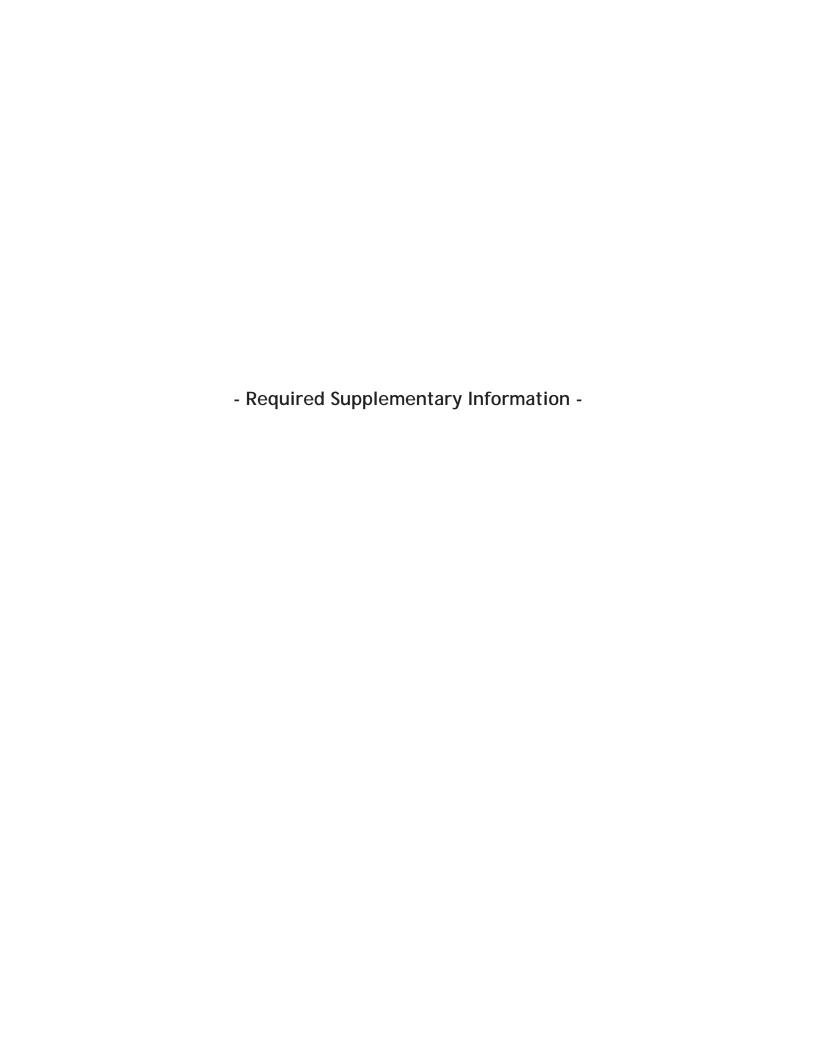
Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension, improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement replaces the requirements 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.

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

#### Note 19 - Subsequent Events:

On July 28, 2017, the County issued a \$2,028,000 Public Improvement Refunding Bond, Series 2017 to refund its 2014 VACO/VML Variable Rate Demand Revenue Bond.







Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual -- General Fund Year Ended June 30, 2017

Revenues:   General property taxes   \$14,840,600   \$15,282,378   \$441,778     Cher local taxes   2,529,900   2,529,900   2,725,666   195,766     Permits, privilege fees and regulatory licenses   217,025   217,025   222,790   2,725,666     Permits, privilege fees and regulatory licenses   199,100   199,100   170,298   (28,802)     Revenue from use of money and property   110,592   110,592   131,991   21,399     Revenue from use of money and property   110,592   131,991   21,399     Revenue from use of money and property   110,592   131,991   21,399     Revenue from use of money and property   110,592   131,991   21,399     Revenue from use of money and property   110,592   131,991   21,399     Revenue from use of money and property   110,592   131,991   21,399     Revenue from use of money and property   110,592   131,991   21,399     Revenue from use of money and property   110,592   131,991   21,399     Revenue from use of money and property   110,592   131,991   21,399     Revenue from use of money and property   121,395   291,347   308,067   16,720     Intergovernmental:		_	Original Budget		Budget As Amended	Actual	_	Variance With Amended Budget Positive (Negative)
Other local taxes         2,529,900         2,529,900         2,725,666         195,765           Permits, privilege fees and regulatory licenses         170,055         217,025         222,790         5,765           Fines and forfeitures         199,100         199,100         170,298         (28,802)           Revenue from use of money and property         110,592         110,592         131,991         21,399           Charges for services         481,594         481,594         490,125         8,531           Miscellaneous         151,905         291,347         308,067         16,720           Intergovernmental:         Commonwealth         6,023,864         6,319,396         5,995,263         (324,133)           Federal         1,216,486         1,625,997         1,231,705         (394,292)           Total revenues         \$25,771,066         \$26,615,551         \$2,558,283         \$0,57,268           Expenditures:         Current:         Commonwealth         \$1,409,430         \$1,503,745         \$1,352,710         \$151,035           General government administration         \$1,409,430         \$1,503,745         \$1,352,710         \$151,035           Judicial administration         \$1,409,430         \$1,503,745         \$1,352,710         \$151,035	Revenues:							
Permits, privilege fees and regulatory licenses         217,025         217,025         222,790         5,765           Fines and forfeitures         199,100         199,100         170,298         (28,802)           Revenue from use of money and property         110,592         110,592         131,991         21,399           Charges for services         481,594         481,594         490,125         8,531           Miscellaneous         151,905         291,347         308,067         16,720           Intergovernmental         6,023,864         6,319,396         5,995,263         (324,133)           Federal         1,216,486         1,625,997         1,231,705         (394,292)           Total revenues         25,771,066         \$ 26,615,551         \$ 26,558,283         \$ (57,268)           Expenditures:         Current:         Current:         Current:         \$ 26,615,551         \$ 1,352,710         \$ 151,035           Current:         Current:         Current:         \$ 26,615,551         \$ 1,352,710         \$ 151,035           Judicial administration         \$ 1,409,430         \$ 1,503,745         \$ 1,352,710         \$ 151,035           Judicial administration         \$ 1,409,430         \$ 1,503,545         \$ 1,352,710         \$ 151,035		\$		5			\$	
Pines and forfeitures   199,100   199,100   170,298   21,399   100,592   110,592   111,592   1								
Revenue from use of money and property Charges for services         110,592         110,592         131,991         21,399           Charges for services         481,594         481,594         490,125         8,531           Miscellaneous         151,905         291,347         308,067         16,722           Intergovernmental:         6,023,864         6,319,396         5,995,263         (324,133)           Federal         1,216,486         1,625,997         1,231,705         (394,292)           Total revenues         25,771,066         \$ 26,615,551         \$ 26,558,283         \$ (57,268)           Expenditures:         Current:         Current:         \$ 26,615,551         \$ 26,558,283         \$ (57,268)           Expenditures:         Current:         \$ 26,615,551         \$ 26,558,283         \$ (57,268)           Expenditures:         Current:         \$ 26,615,551         \$ 26,558,283         \$ (57,268)           Expenditures:         \$ 26,615,551         \$ 26,558,283         \$ (57,268)           Expenditures:         \$ 26,615,551         \$ 1,532,710         \$ 151,035           Current:         \$ 26,615,551         \$ 1,532,710         \$ 151,035           Public safety         \$ 9,00,614         \$ 5,885,540         \$ 5,60,958         \$ 2								
Charges for services         481,594         481,594         490,125         8,531           Miscellaneous         151,905         291,347         308,067         16,720           Intergovernmental:         291,347         308,067         16,720           Commonwealth         6,023,864         6,319,396         5,995,263         (324,133)           Federal         1,216,486         1,625,997         1,231,705         (394,292)           Total revenues         \$ 25,771,066         \$ 26,615,551         \$ 26,558,283         (67,268)           Expenditures:         Current:         Ceneral government administration         \$ 1,409,430         \$ 1,503,745         \$ 1,352,710         \$ 151,035           Judicial administration         \$ 869,445         966,032         918,656         47,376           Public safety         5,900,614         5,988,540         5,609,963         378,577           Public works         1,019,849         1,088,892         946,045         142,847           Health and welfare         5,533,243         6,457,290         5,900,655         556,635           Education         8,443,788         8,447,262         8,209,412         237,850           Parks, recreation, and cultural         302,562         356,465			-					
Niscellaneous   151,905   291,347   308,067   16,720   161ergovernmentals   16,720   16,720   16,720   16,720   16,720   16,720   16,213								
Intergovernmental:   Commonwealth   6,023,864   6,319,396   5,995,263   (324,132)     Federal   1,216,486   1,625,997   1,231,705   (394,292)     Total revenues   \$25,771,066   \$26,615,551   \$26,558,283   \$(57,268)     Expenditures:   Current:   Curre	· ·							
Commonwealth Federal         6,023,864 1,216,486         6,319,396 1,231,705         (324,133) (394,292)           Total revenues         \$ 25,771,066         \$ 26,615,551         \$ 26,558,283         \$ (57,288)           Expenditures:         Current:           General government administration         \$ 1,409,430         \$ 1,503,745         \$ 1,352,710         \$ 151,035           Public safety         \$ 9,900,614         \$ 9,88,540         \$ 5,609,963         378,577           Public works         1,019,849         1,088,892         946,045         142,847           Health and welfare         5,533,243         6,457,290         5,900,655         556,635           Education         8,443,788         8,447,262         8,209,412         237,850           Parks, recreation, and cultural         302,562         356,465         356,465         356,465           Community development         588,281         590,531         544,945         45,586           Nondepartmental         392,852         141,814         64,096         77,718           Debt service:         Principal retirement         1,103,170         1,103,170         1,103,170         7           Principal retirement (under) expenditures         \$ (59,281)         \$ (312,278)         1,268,07			151,905		291,347	308,067		16,720
Total revenues   \$25,771,066   \$26,615,551   \$26,558,283   \$(57,268)	_				/ 240 20/	F 00F 0/0		(204 422)
Total revenues   \$25,771,066   \$26,615,551   \$26,558,283   \$(57,268)								
Expenditures: Current: General government administration Judicial administration Beggerate Set Set Set Set Set Set Set Set Set S	rederal	_	1,210,480	_	1,625,997	1,231,705	_	(394,292)
Current:         General government administration         \$ 1,409,430 \$         \$ 1,503,745 \$         \$ 1,352,710 \$         \$ 151,035 \$           Judicial administration         869,445 966,032 918,656 47,376         47,378 47,376         47,378 47,472         48,477 48         48,477,202 5,900,655 5,56,635         556,635 5,533,243 5,447,262 8,209,412 237,850         48,096 5,537,850 5,533,243 5,56,645 35,645 3	Total revenues	\$_	25,771,066	_	26,615,551	26,558,283	\$_	(57,268)
Judicial administration         869,445         966,032         918,656         47,376           Public safety         5,900,614         5,988,540         5,609,963         378,577           Public works         1,019,849         1,088,892         946,045         142,847           Health and welfare         5,533,243         6,457,290         5,900,655         556,635           Education         8,443,788         8,447,262         8,209,412         237,850           Parks, recreation, and cultural         302,562         356,465         356,465         -           Community development         588,281         590,531         544,945         45,586           Nondepartmental         392,852         141,814         64,096         77,718           Debt service:         Principal retirement         1,103,170         1,103,170         1,103,170         1,103,170         1,103,170         -           Interest and other fiscal charges         267,113         284,088         284,088         -           Total expenditures         \$ 25,830,347         \$ 26,927,829         \$ 25,290,205         \$ 1,637,624           Excess (deficiency) of revenues over (under) expenditures         \$ (59,281)         \$ (312,278)         \$ 1,268,078         \$ 1,580,356      <	Current:							
Public safety         5,900,614         5,988,540         5,609,963         378,577           Public works         1,019,849         1,088,892         946,045         142,847           Health and welfare         5,533,243         6,457,290         5,900,655         556,635           Education         8,443,788         8,447,262         8,209,412         237,850           Parks, recreation, and cultural         302,562         356,465         356,465         356,465         -           Community development         588,281         590,531         544,945         45,586           Nondepartmental         392,852         141,814         64,096         77,718           Debt service:         Principal retirement         1,103,170         1,103,170         1,103,170         1,103,170         1,103,170         1           Interest and other fiscal charges         267,113         284,088         284,088         -           Excess (deficiency) of revenues over (under) expenditures         (59,281)         (312,278)         1,268,078         1,580,356           Other Financing Sources (uses):         -         (38,000)         (38,000)         -           Transfers (out)         -         (38,000)         (38,000)         -	•	\$		5			\$	=
Public works         1,019,849         1,088,892         946,045         142,847           Health and welfare         5,533,243         6,457,290         5,900,655         556,635           Education         8,443,788         8,447,262         8,209,412         237,850           Parks, recreation, and cultural         302,562         356,465         356,465         3-6           Community development         588,281         590,531         544,945         45,586           Nondepartmental         392,852         141,814         64,096         77,718           Debt service:         Principal retirement         1,103,170         1,103,170         1,103,170         1,103,170         -           Interest and other fiscal charges         267,113         284,088         284,088         -           Total expenditures         \$25,830,347         26,927,829         25,290,205         1,637,624           Excess (deficiency) of revenues over (under) expenditures         \$(59,281)         \$(312,278)         1,268,078         1,580,356           Other Financing Sources (uses):         -         31,106         31,106         -           Transfers (out)         -         (38,000)         (38,000)         -           Total other financing sources (uses)								
Health and welfare         5,533,243         6,457,290         5,900,655         556,635           Education         8,443,788         8,447,262         8,209,412         237,850           Parks, recreation, and cultural         302,562         356,465         356,465         -           Community development         588,281         590,531         544,945         45,586           Nondepartmental         392,852         141,814         64,096         77,718           Debt service:         Principal retirement         1,103,170         1,103,170         1,103,170         1,103,170         -           Interest and other fiscal charges         267,113         284,088         284,088         -           Total expenditures         \$25,830,347         26,927,829         25,290,205         1,637,624           Excess (deficiency) of revenues over (under) expenditures         \$(59,281)         \$(312,278)         1,268,078         1,580,356           Other Financing Sources (uses):         Transfers (out)         -         31,106         31,106         -           Total other financing sources (uses)         -         \$(38,000)         (38,000)         -           Net change in fund balances         \$(59,281)         \$(319,172)         1,261,184         1,580,356								
Education         8,443,788         8,447,262         8,209,412         237,850           Parks, recreation, and cultural         302,562         356,465         356,465         -           Community development         588,281         590,531         544,945         45,586           Nondepartmental         392,852         141,814         64,096         77,718           Debt service:         77,718         77,								
Parks, recreation, and cultural         302,562         356,465         356,465         -           Community development         588,281         590,531         544,945         45,586           Nondepartmental         392,852         141,814         64,096         77,718           Debt service:         Principal retirement         1,103,170         1,103,170         1,103,170         -           Interest and other fiscal charges         267,113         284,088         284,088         -           Total expenditures         \$25,830,347         26,927,829         \$25,290,205         1,637,624           Excess (deficiency) of revenues over (under) expenditures         \$(59,281)         (312,278)         1,268,078         1,580,356           Other Financing Sources (uses):         Transfers in         \$31,106         31,106         -           Transfers (out)         -         (38,000)         (38,000)         -           Total other financing sources (uses)         -         (6,894)         (6,894)         -           Net change in fund balances         \$(59,281)         (319,172)         1,261,184         1,580,356           Fund balances at beginning of year         64,620         319,172         12,316,560         11,997,388								
Community development         588,281         590,531         544,945         45,586           Nondepartmental         392,852         141,814         64,096         77,718           Debt service:         Principal retirement         1,103,170         1,103,170         1,103,170         -           Interest and other fiscal charges         267,113         284,088         284,088         -           Total expenditures         \$ 25,830,347         \$ 26,927,829         \$ 25,290,205         \$ 1,637,624           Excess (deficiency) of revenues over (under) expenditures         \$ (59,281)         \$ (312,278)         \$ 1,268,078         \$ 1,580,356           Other Financing Sources (uses):         * 31,106         \$ 31,106         \$ -           Transfers (out)         - 33,000         (38,000)         -           Total other financing sources (uses)         - \$ (6,894)         \$ (6,894)         \$ -           Net change in fund balances         \$ (59,281)         \$ (319,172)         \$ 1,261,184         \$ 1,580,356           Fund balances at beginning of year         64,620         319,172         12,316,560         11,997,388								237,850
Nondepartmental Debt service:         392,852         141,814         64,096         77,718           Principal retirement Interest and other fiscal charges         1,103,170         1,103,170         1,103,170         -           Total expenditures         \$ 25,830,347         \$ 26,927,829         \$ 25,290,205         \$ 1,637,624           Excess (deficiency) of revenues over (under) expenditures         \$ (59,281)         \$ (312,278)         \$ 1,268,078         \$ 1,580,356           Other Financing Sources (uses):         \$ - \$ 31,106         \$ 31,106         \$ - \$ 7,718           Transfers in Transfers (out)         - (38,000)         (38,000)         - \$ 7,718           Total other financing sources (uses)         - \$ (6,894)         \$ (6,894)         \$ - \$ 7,718           Net change in fund balances         \$ (59,281)         \$ (319,172)         \$ 1,268,078         \$ 1,580,356           Fund balances at beginning of year         64,620         319,172         12,316,560         11,997,388								-
Debt service:         Principal retirement         1,103,170         1,103,170         1,103,170         1,103,170         1,103,170         1,103,170         1,103,170         1,103,170         1,103,170         1,103,170         1,103,170         1,103,170         1,103,170         1,103,170         1,103,170         1,637,624           Excess (deficiency) of revenues over (under) expenditures         \$ (59,281) \$ (312,278) \$ 1,268,078 \$ 1,580,356           Other Financing Sources (uses):           Transfers in Transfers (out)         - \$ 31,106 \$ 31,106 \$ - \$ 1,780,356           Total other financing sources (uses)         - \$ (6,894) \$ (6,894) \$ - \$ 1,261,184 \$ 1,580,356           Net change in fund balances         \$ (59,281) \$ (319,172) \$ 1,261,184 \$ 1,580,356           Fund balances at beginning of year         64,620         319,172         12,316,560         11,997,388	·							
Principal retirement         1,103,170         1,103,170         1,103,170         -           Interest and other fiscal charges         267,113         284,088         284,088         -           Total expenditures         \$25,830,347         26,927,829         25,290,205         1,637,624           Excess (deficiency) of revenues over (under) expenditures         \$(59,281)         (312,278)         1,268,078         1,580,356           Other Financing Sources (uses):         Transfers in         \$ 31,106         31,106         -           Transfers (out)         -         (38,000)         (38,000)         -           Total other financing sources (uses)         -         \$ (6,894)         \$ (6,894)         -           Net change in fund balances         \$ (59,281)         (319,172)         1,261,184         1,580,356           Fund balances at beginning of year         64,620         319,172         12,316,560         11,997,388	·		392,852		141,814	64,096		77,718
Interest and other fiscal charges         267,113         284,088         284,088         -           Total expenditures         \$ 25,830,347         \$ 26,927,829         \$ 25,290,205         \$ 1,637,624           Excess (deficiency) of revenues over (under) expenditures         \$ (59,281)         \$ (312,278)         \$ 1,268,078         \$ 1,580,356           Other Financing Sources (uses):         \$ -         \$ 31,106         \$ -         -         1,580,356           Transfers (out)         -         (38,000)         (38,000)         -         -           Total other financing sources (uses)         \$ -         \$ (6,894)         \$ (6,894)         \$ -           Net change in fund balances         \$ (59,281)         \$ (319,172)         \$ 1,261,184         \$ 1,580,356           Fund balances at beginning of year         64,620         319,172         12,316,560         11,997,388								
Total expenditures \$ 25,830,347 \$ 26,927,829 \$ 25,290,205 \$ 1,637,624  Excess (deficiency) of revenues over (under) expenditures \$ (59,281) \$ (312,278) \$ 1,268,078 \$ 1,580,356  Other Financing Sources (uses):  Transfers in \$ - \$ 31,106 \$ 31,106 \$ - Transfers (out) - (38,000) (38,000) - Transfers (out) - (6,894) \$ (6,894) \$ - Transfers (uses) \$ - \$ (6,894) \$ (6,894) \$ - Transfers (uses) \$ (59,281) \$ (319,172) \$ 1,261,184 \$ 1,580,356  Fund balances at beginning of year 64,620 319,172 12,316,560 11,997,388	·							-
Excess (deficiency) of revenues over (under) expenditures \$ (59,281) \$ (312,278) \$ 1,268,078 \$ 1,580,356  Other Financing Sources (uses):  Transfers in \$ - \$ 31,106 \$ 31,106 \$ -  Transfers (out) - (38,000) (38,000) -  Total other financing sources (uses) \$ - \$ (6,894) \$ (6,894) \$ -  Net change in fund balances \$ (59,281) \$ (319,172) \$ 1,261,184 \$ 1,580,356  Fund balances at beginning of year 64,620 319,172 12,316,560 11,997,388	Interest and other fiscal charges	_	267,113	_	284,088	284,088	_	-
(under) expenditures       \$ (59,281) \$ (312,278) \$ 1,268,078 \$ 1,580,356         Other Financing Sources (uses):       Transfers in \$ - \$ 31,106 \$ 31,106 \$ - 10,000 \$ (38,000) \$ - 10,000 \$	Total expenditures	\$_	25,830,347	<u> </u>	26,927,829	25,290,205	\$_	1,637,624
(under) expenditures       \$ (59,281) \$ (312,278) \$ 1,268,078 \$ 1,580,356         Other Financing Sources (uses):       Transfers in \$ - \$ 31,106 \$ 31,106 \$ - 10,000 \$ (38,000) \$ - 10,000 \$	Excess (deficiency) of revenues over							
Transfers in Transfers (out)       \$ - \$ (38,000)       \$ 31,106 \$ - \$ (38,000)       \$ - \$ (38,000)       \$ - \$ (6,894)       \$ (6,894)       \$ - \$ (6,894)       \$ - \$ (6,894)       \$ - \$ (6,894)       \$ - \$ (6,894)       \$ - \$ (6,894)       \$ - \$ (6,894)       \$ - \$ (6,894)       \$ - \$ (6,894)       \$ - \$ (6,894)       \$ - \$ (6,894)       \$ - \$ (6,894)       \$ - \$ (6,894)       \$ - \$ (6,894)       \$ - \$ (6,894)       \$ - \$ (6,894)       \$ - \$ (6,894)       \$ - \$ (6,894)       \$ (6,894)       \$ - \$ (6,894)       \$ (6,894)       \$ (6,894)       \$ (6,894)       \$ (6,894)       \$ (6,894)       \$ (6,894)       \$ (6,894)       \$ (6,894) <t< td=""><td></td><td>\$</td><td>(59,281)</td><td>\$</td><td>(312,278)</td><td>1,268,078</td><td>\$_</td><td>1,580,356</td></t<>		\$	(59,281)	\$	(312,278)	1,268,078	\$_	1,580,356
Transfers in Transfers (out)       \$ - \$ (38,000)       \$ 31,106 \$ - \$ (38,000)       \$ - \$ (38,000)       \$ - \$ (6,894)       \$ (6,894)       \$ - \$ (6,894)       \$ - \$ (6,894)       \$ - \$ (6,894)       \$ - \$ (6,894)       \$ - \$ (6,894)       \$ - \$ (6,894)       \$ - \$ (6,894)       \$ - \$ (6,894)       \$ - \$ (6,894)       \$ - \$ (6,894)       \$ - \$ (6,894)       \$ - \$ (6,894)       \$ - \$ (6,894)       \$ - \$ (6,894)       \$ - \$ (6,894)       \$ - \$ (6,894)       \$ - \$ (6,894)       \$ (6,894)       \$ - \$ (6,894)       \$ (6,894)       \$ (6,894)       \$ (6,894)       \$ (6,894)       \$ (6,894)       \$ (6,894)       \$ (6,894)       \$ (6,894) <t< td=""><td></td><td></td><td></td><td></td><td></td><td></td><td>_</td><td></td></t<>							_	
Transfers (out)         -         (38,000)         (38,000)         -           Total other financing sources (uses)         \$ -         \$ (6,894)         \$ (6,894)         \$ -           Net change in fund balances         \$ (59,281)         \$ (319,172)         \$ 1,261,184         \$ 1,580,356           Fund balances at beginning of year         64,620         319,172         12,316,560         11,997,388	•	Φ.	A		24 407 4	24.407	Φ.	
Total other financing sources (uses) \$ - \$ (6,894) \$ (6,894) \$ -  Net change in fund balances \$ (59,281) \$ (319,172) \$ 1,261,184 \$ 1,580,356  Fund balances at beginning of year 64,620 319,172 12,316,560 11,997,388		\$	- 3	5			\$	-
Net change in fund balances       \$ (59,281) \$ (319,172) \$ 1,261,184 \$ 1,580,356         Fund balances at beginning of year       64,620       319,172       12,316,560       11,997,388	Transfers (out)	_		_	(38,000)	(38,000)	_	
Fund balances at beginning of year 64,620 319,172 12,316,560 11,997,388	Total other financing sources (uses)	\$_	- 9		(6,894)	(6,894)	\$_	-
	Net change in fund balances	\$	(59,281)	\$	(319,172) \$	1,261,184	\$	1,580,356
Fund balances at end of year \$ 5,339 \$ - \$ 13,577,744 \$ 13,577,744	Fund balances at beginning of year	_	64,620	_	319,172	12,316,560	_	11,997,388
	Fund balances at end of year	\$ <u></u>	5,339	\$ <u></u>	_	13,577,744	\$_	13,577,744

Schedule of Changes in Net Pension Liability and Related Ratios Primary Government

Years Ended June 30, 2015 through June 30, 2017

	_	2014	_	2015	_	2016
Total pension liability			_		_	
Service cost	\$	541,330	\$	541,394	\$	516,914
Interest		977,153		1,037,311		1,078,393
Differences between expected and actual experience		-		(156,191)		(282,251)
Benefit payments, including refunds of employee contributions		(578,303)	_	(739,879)	_	(931,371)
Net change in total pension liability	\$	940,180	\$	682,635	\$	381,685
Total pension liability - beginning		14,248,481	_	15,188,661	_	15,871,296
Total pension liability - ending (a)	\$	15,188,661	\$	15,871,296	\$	16,252,981
Plan fiduciary net position						
Contributions - employer	\$	506,793	\$	471,484	\$	489,952
Contributions - employee		198,721		201,091		208,419
Net investment income		1,957,999		663,732		261,173
Benefit payments, including refunds of employee contributions		(578,303)		(739,879)		(931,371)
Administrative expense		(10,342)		(9,028)		(9,269)
Other		103	_	(137)	_	(110)
Net change in plan fiduciary net position	\$	2,074,971	\$	587,263	\$	18,794
Plan fiduciary net position - beginning		12,290,513	_	14,365,484	_	14,952,747
Plan fiduciary net position - ending (b)	\$ _	14,365,484	\$_	14,952,747	\$_	14,971,541
County's net pension liability - ending (a) - (b)	\$	823,177	\$	918,549	\$	1,281,440
Plan fiduciary net position as a percentage of the total pension liability		94.58%		94.21%		92.12%
Covered payroll	\$	3,980,282	\$	4,048,172	\$	4,233,595
County's net pension liability as a percentage of covered payroll		20.68%		22.69%		30.27%

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.

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Component Unit School Board (nonprofessional)
Years Ended June 30, 2015 through June 30, 2017

		2014	2015	2016
Total pension liability				
Service cost	\$	76,301 \$	74,089 \$	66,822
Interest		218,017	226,502	227,787
Differences between expected and actual experience		-	(103,073)	(210,778)
Benefit payments, including refunds of employee contributions	_	(141,719)	(204,473)	(153,861)
Net change in total pension liability	\$	152,599 \$	(6,955) \$	(70,030)
Total pension liability - beginning	_	3,185,382	3,337,981	3,331,026
Total pension liability - ending (a)	\$	3,337,981 \$	3,331,026 \$	3,260,996
Plan fiduciary net position				
Contributions - employer	\$	41,634 \$	33,962 \$	34,045
Contributions - employee		38,268	35,046	35,144
Net investment income		515,077	167,887	64,136
Benefit payments, including refunds of employee contributions		(141,719)	(204,473)	(153,861)
Administrative expense		(2,804)	(2,399)	(2,362)
Other		27	(38)	(27)
Net change in plan fiduciary net position	\$	450,483 \$	29,985 \$	(22,925)
Plan fiduciary net position - beginning		3,282,575	3,733,058	3,763,043
Plan fiduciary net position - ending (b)	\$	3,733,058 \$	3,763,043 \$	3,740,118
School Division's net pension liability (asset) - ending (a) - (b)	\$	(395,077) \$	(432,017) \$	(479,122)
Plan fiduciary net position as a percentage of the total pension liability		111.84%	112.97%	114.69%
Covered payroll	\$	765,340 \$	707,545 \$	731,331
School Division's net pension liability (asset) as a percentage of covered payroll		-51.62%	-61.06%	-65.51%

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.

Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan Years Ended June 30, 2015 through June 30, 2017

	_	2014	2015	2016
Employer's Proportion of the Net Pension Liability (Asset)		0.13142%	0.12919%	0.12492%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$	15,882,000 \$	16,260,000 \$	17,507,000
Employer's Covered Payroll		9,603,425	9,660,903	9,359,189
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll		165.38%	168.31%	187.06%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		70.88%	70.88%	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.

Schedule of Employer Contributions Years Ended June 30, 2008 through June 30, 2017

Date		ontractually Required Contribution (1)		Contributions in Relation to Contractually Required Contribution (2)		Contribution Deficiency (Excess) (3)	_	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
Primary Go									
2017	\$	393,926	\$	393,926	\$	-	\$	4,466,281	8.82%
2016		493,214		493,214		-		4,233,595	11.65%
2015		471,612		471,612		-		4,048,172	11.65%
2014		507,088		507,088		-		3,980,282	12.74%
2013		504,675		504,675		-		3,961,344	12.74%
2012		326,368		326,368		-		3,464,625	9.42%
2011		346,452		346,452		-		3,677,829	9.42%
2010		295,687		295,687		-		3,673,136	8.05%
2009		295,175		295,175		-		3,666,775	8.05%
2008		241,973		241,973		-		3,579,479	6.76%
Componen	t Uni	t School Boar	d (	(nonprofessional	)				
2017	\$	4,002	\$	4,002	\$	-	\$	763,392	0.52%
2016		35,470		35,470		-		731,331	4.85%
2015		34,316		34,316		-		707,545	4.85%
2014		41,634		41,634		-		765,340	5.44%
2013		41,830		41,830		-		768,936	5.44%
2012		11,625		11,625		-		653,093	1.78%
2011		11,931		11,931		-		670,285	1.78%
2010		25,776		25,776		-		696,646	3.70%
2009		27,164		27,164		-		734,162	3.70%
2008		22,068		22,068		-		716,484	3.08%
Componen	t Uni	t School Boar	rd (	(professional)					
2017	\$	1,509,261	\$	1,509,261	\$	-	\$	10,295,095	14.66%
2016		1,315,902		1,315,902		-		9,359,189	14.06%
2015		1,400,831		1,400,831		-		9,660,903	14.50%

Current year contributions are from County of Madison and Madison County School Board's records and prior year contributions are from the VRS actuarial valuation performed each year.

The School Board Professional 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.

Notes to Required Supplementary Information Year Ended June 30, 2017

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 is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2016 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

Actuarial Valuation as of (1)	 Actuarial Value of Assets (AVA)	_	Actuarial Accrued Liability (AAL)		Jnfunded AAL (UAAL) (3)-(2) (4)	F	Funded Ration Assets at % of AAL (2) (3) (5)	-	Annual Covered Payroll (6)	UAAL as % of Covered Payroll (4)/(6)
6/30/16 6/30/15 6/30/14	\$ 57,190 57,448 55,853	\$	45,580 \$ 44,575 45,830	3	(11,610) (12,873) (10,023)		125.47% 128.88% 121.87%	\$	1,851,625 1,666,132 1,678,036	-0.63% -0.77% -0.60%

# Other Post Employment Benefits

County						
Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL)	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	 (2)	(3)	(4)	(5)	(6)	(7)
7/1/16	\$ - \$	338,000 \$	338,000	0.00% \$	4,492,743	7.52%
7/1/14	-	477,000	477,000	0.00%	3,845,864	12.40%
7/1/12	-	501,000	501,000	0.00%	3,361,337	14.90%

# Discretely Presented Component Unit - School Board

Actuarial Valuation Date (1)	Actuarial Value of Assets (AVA) (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL) (4)	Funded Ratio (2) / (3) (5)	Annual Covered Payroll (6)	UAAL as % of Payroll (4) / (6) (7)
7/1/2016	\$ - \$	5 1,186,000 \$	1,186,000	0.00% \$	8,819,257	13.45%
7/1/2014	-	1,057,000	1,057,000	0.00%	10,368,448	10.19%
7/1/2012	-	1,172,000	1,172,000	0.00%	11,572,663	10.13%



- Other Supplementary Information -Combining and Individual Fund Statements and Schedules



Capital Improvement Fund Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual Year Ended June 30, 2017

	_	Budgete	d A	Amounts				Variance with Final Budget -
	_	Original		Final		Actual Amounts	_	Positive (Negative)
EXPENDITURES								
Education	\$	-	\$	38,000	\$	38,000	\$	-
Capital projects	_	35,000		3,894		-	_	3,894
Total expenditures	\$_	35,000	\$_	41,894	\$_	38,000	\$_	3,894
Excess (deficiency) of revenues over								
(under) expenditures	\$_	(35,000)	\$_	(41,894)	\$_	(38,000)	\$_	3,894
OTHER FINANCING SOURCES (USES)								
Transfers in	\$	-	\$	38,000	\$	38,000	\$	-
Transfers out	_	-		(31,106)	_	(31,106)	_	-
Total other financing sources (uses)	\$	-	\$	6,894	\$	6,894	\$_	
Net change in fund balances	\$	(35,000)	\$	(35,000)	\$	(31,106)	\$	3,894
Fund balances at beginning of year	_	35,000		35,000		504,745	_	469,745
Fund balances at end of year	\$_	_	\$	_	\$	473,639	\$_	473,639

Statement of Changes in Assets and Liabilities - Agency Funds Year Ended June 30, 2017

Special Welfare Fund:	_	Balance Beginning of Year	 Additions	 Deletions		Balance End of Year
Assets:						
Cash and cash equivalents Accounts receivable	\$	35,250 2,043	\$ 108,243	\$ 72,748 2,043	\$	70,745 -
Total assets	\$	37,293	\$ 108,243	\$ 74,791	\$	70,745
Liabilities:	_					_
Amounts held for others	\$_	37,293	\$ 108,243	\$ 74,791	\$_	70,745
Total liabilities	\$	37,293	\$ 108,243	\$ 74,791	\$	70,745

Combining Balance Sheet - Discretely Presented Component Unit - School Board At June  $30,\,2017$ 

		School Operating Fund		School Cafeteria Fund		School Capital Fund		Nonmajor Funds		Total
ASSETS	_									
Cash and cash equivalents Accounts receivable Due from other governmental units Prepaid expenditures Inventory	\$	951,807 4,154 507,282 9,951	\$	300,072 3,841 - - 23,310	\$	34,181 - - -	\$	54,832 - - - -	\$	1,340,892 7,995 507,282 9,951 23,310
Total assets	\$ <sub>=</sub>	1,473,194	\$_	327,223	\$_	34,181	\$_	54,832	\$_	1,889,430
LIABILITIES										
Accounts payable Accrued liabilities Due to Primary Government	\$	98,830 951,967 420,397	\$	566 28,371 -	\$	- - -	\$	- - -	\$	99,396 980,338 420,397
Total liabilities	\$_	1,471,194	\$_	28,937	\$_	-	\$_	-	\$_	1,500,131
FUND BALANCES  Nonspendable Restricted Committed Unassigned	\$	9,951 - 2,000 (9,951)	\$	23,310 - 274,976	\$	- - 34,181	\$	- 54,832 -	\$	33,261 54,832 311,157 (9,951)
Total fund balances	\$_	2,000	\$_	298,286	\$_	34,181	\$	54,832	\$	389,299
Total liabilities and fund balances	\$ <sub>=</sub>	1,473,194	\$_	327,223	\$_	34,181	\$_	54,832	i.	
Detailed explanation of adjustments from fund stat	tements to	government-v	wid	e statement o	of ne	t position:				
When capital assets (land, buildings, equipment purchased or constructed, the costs of those asset However, the statement of net position includes t	ets are re <sub>l</sub>	oorted as expe	end	itures in gov	ernr	nental funds.				
as a whole.			Ü							7,978,945
The net pension asset is not an available resource a	and, there	fore, is not rep	por	ed in the fun	ds.					479,122
Deferred inflows related to measurement of net period expenditures	pension li	ability/asset r	not	available to	pay	for current-				(1,588,750)
Deferred outflows related to pensions.										2,608,385
Long-term liabilities applicable to the School Board	•					•				

(18,264,051)

(8,397,050)

current period and accordingly are not reported as fund liabilities. All liabilities--both current and long-

term--are reported in the statement of net position.

Net position of General Government Activities

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Discretely Presented Component Unit - School Board Year Ended June 30, 2017

	_	School Operating Fund		School Cafeteria Fund		School Capital Fund	-	Nonmajor Funds		Total
Revenues:	_				_		_		_	
Revenue from use of money and property	\$	-	\$		\$	10	\$	16	\$	26
Charges for services		2,275		335,094		-				337,369
Miscellaneous		791,599		3,550		-		3,474		798,623
Intergovernmental:										
County contribution to School Board		8,205,887		-		38,000		-		8,243,887
Commonwealth		9,513,834		23,089		-		-		9,536,923
Federal	_	879,998		510,297		-	-	-	-	1,390,295
Total revenues	\$_	19,393,593	\$_	872,030	\$.	38,010	\$	3,490	\$_	20,307,123
Expenditures:										
Current:										
Education	\$	19,327,416	\$	863,810	\$	_	\$	_	\$	20,191,226
Capital projects		-		-		38,000		-		38,000
Debt service:						, , , , , ,				,
Principal		62,028		_		_		_		62,028
Interest and other fiscal charges		4,149		_		_		_		4,149
9	-	·					-		_	· · · · · · · · · · · · · · · · · · ·
Total expenditures	\$_	19,393,593	\$	863,810	\$	38,000	\$	-	\$_	20,295,403
Excess (deficiency) of revenues over										
(under) expenditures	\$		\$	8,220	¢	10	¢	3,490	¢	11,720
(under) experiartures	Φ _	-	. Ф	0,220	Φ.	10	<b>-</b> Φ	3,490	. <sup>⊅</sup> –	11,720
Changes in fund balances	\$	-	\$	8,220	\$	10	\$	3,490	\$	11,720
Fund balances at beginning of year	_	2,000		290,066		34,171	-	51,342		377,579
Fund balances at end of year	\$	2,000	\$	298,286	\$	34,181	\$	54,832	\$	389,299

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities - Discretely Presented Component Unit - School Board Year Ended June 30, 2017

		Component Unit School Board
Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds	\$	11,720
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 capital outlays exceeded depreciation in the current period computed as follows:		
Capital additions Depreciation expense	\$ 394,810 (949,888)	(555,078)
The net effect of various transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net position.		(129,539)
Change in deferred inflows related to the measurement of the net pension liability/asset		305,033
The issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. A summary of items supporting this adjustment is as follows:		
Principal retired on capital lease	\$ 62,028	62,028
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. The following is a summary of items supporting this adjustment:		
Change in compensated absences Change in net pension liability/asset Change in deferred outflows related to pensions	(12,744) (1,199,895) 1,257,013	
Change in net OPEB obligation	(66,000)	(21,626)
Transfer of joint tenancy assets from Primary Government to the Component Unit		737,513
Change in net position of governmental activities	\$	410,051

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Discretely Presented Component Unit - School Board Year Ended June 30, 2017

			School C	pera	ating Fund		
	_	Original Budget	Budget As Amended		Actual		Variance From Amended Budget Positive (Negative)
Revenues:	ф	1 000 ¢	1 000	ф		Φ.	(1,000)
Revenue from use of money and property  Charges for services	\$	1,000 \$ 708,370	1,000 708,370	\$	2,275	\$	(1,000) (706,095)
Miscellaneous		56,000	56,000		791,599		735,599
Intergovernmental:		30,000	30,000		791,599		733,377
County contribution to School Board		8,440,263	8,443,737		8,205,887		(237,850)
Commonwealth		9,875,393	9,875,393		9,513,834		(361,559)
Federal		889,279	889,279		879,998		(9,281)
Total revenues	\$	19,970,305 \$	19,973,779	\$	19,393,593	\$	(580,186)
Expenditures:							
Current:							
Education	\$	19,904,128 \$	19,907,602	\$	19,327,416	\$	580,186
Capital projects		-	-		-		-
Debt service:							
Principal		62,028	62,028		62,028		-
Interest and other fiscal charges	_	4,149	4,149		4,149		-
Total expenditures	\$	19,970,305 \$	19,973,779	. \$ _	19,393,593	\$_	580,186
Excess (deficiency) of revenues							
over (under) expenditures	\$	- \$	-	\$_	-	\$	
Changes in fund balances	\$	- \$	-	\$	-	\$	-
Fund balances at beginning of year	_	<u> </u>	-	_	2,000	_	2,000
Fund balances at end of year	\$	- \$	-	\$	2,000	\$	2,000

			School (	Cafe	teria Fund	b				School Ca	apita	al Fund		
-	Original Budget		Budget As Amended		Actual		Variance From Amended Budget Positive (Negative)		Original Budget	Budget As Amended		Actual		Variance From Amended Budget Positive (Negative)
\$	_	\$	-	\$	_	\$	_	\$	- \$	-	\$	10	\$	10
	365,000		365,000		335,094		(29,906)		-	-		-		-
	38,000		38,000		3,550		(34,450)		-	-		-		-
	_		-		-		-		-	38,000		38,000		-
	20,000		20,000		23,089		3,089		-	-		-		-
_	452,000		452,000		510,297		58,297		<u> </u>	-	_	-	_	-
\$_	875,000	\$	875,000	\$_	872,030	\$_	(2,970)	\$_	\$_	38,000	\$_	38,010	\$_	10
\$	875,000 -	\$	875,000 -	\$	863,810	\$	11,190 -	\$	\$	- 38,000	\$	- 38,000	\$	-
	-		-		-		-		-	-		-		-
\$	875,000	<b>.</b>	875,000	- <u>-</u>	863,810		11,190	. <u> </u>		38,000	. <u> </u>	20,000		-
<b>»</b> -	875,000	Φ.	875,000	- <sup>-</sup> -	803,810	. <sup>⊅</sup> -	11,190	· <sup>→</sup> –		38,000	· • –	38,000	. <sup>-</sup>	<del>-</del> _
\$_	-	\$	-	\$_	8,220	\$_	8,220	\$	\$	-	\$	10	\$_	10
\$	-	\$	-	\$	8,220	\$	8,220	\$	- \$	-	\$	10	\$	10
_	-		-	_	290,066		290,066	_		-	_	34,171	_	34,171
\$		\$		\$_	298,286	\$	298,286	\$	- \$		\$	34,181	\$	34,181

# Combining Balance Sheet Nonmajor Special Revenue Funds - Discretely Presented Component Unit - School Board As of June 30, 2017

	_	School Lottery Fund	School Textbook Fund	Total
ASSETS				
Cash and cash equivalents	\$	1,895 \$	52,937 \$	54,832
Total assets	\$ _	1,895 \$	52,937 \$	54,832
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$	- \$	- \$	-
Total liabilities	\$	- \$	- \$	
Fund balances:				
Restricted	\$	1,895 \$	52,937 \$	54,832
Total fund balances	\$	1,895 \$	52,937 \$	54,832
Total liabilities and fund balances	\$	1,895 \$	52,937 \$	54,832

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, 2017

		School Lottery Fund		School Textbook Fund		Total
REVENUES	_					
Revenue from the use of money and property	\$	1	\$	15	\$	16
Miscellaneous	_	-	_	3,474	_	3,474
Total revenues	\$	1	\$	3,489	\$	3,490
EXPENDITURES						
Current:						
Education	\$_	-	\$	-	\$	_
Total expenditures	\$_	-	\$	-	\$_	
Excess (deficiency) of revenues over (under)						
expenditures	\$_	1	\$	3,489	\$_	3,490
Net change in fund balances	\$	1	\$	3,489	\$	3,490
Fund balances - beginning	_	1,894		49,448	_	51,342
Fund balances - ending	\$	1,895	\$	52,937	\$	54,832

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual Nonmajor Special Revenue Funds - Discretely Presented Component Unit - School Board For the Year Ended June 30, 2017

				Schoo	ol L	ottery F	ur	nd			School	Te	extbook Fu	ınd	
	•	Budge Amo				-		Variance with Final Budget Positive		Budgeted	l Amounts				Variance with Final Budget Positive
		Original		Final	-	Actual		(Negative)		Original	Final		Actual		(Negative)
REVENUES	•														
Revenue from the use of money															
and property	\$	-	\$	-	\$	1	\$	1	\$	- \$	-	\$	15	\$	15
Miscellaneous		-	_			-		-	_				3,474		3,474
Total revenues	\$	-	\$		\$.	1	\$	1	\$	\$	-	\$_	3,489	\$_	3,489
EXPENDITURES															
Current:															
Education	\$	-	\$	-	\$	-	\$	-	\$	- \$	-	\$	-	\$	-
Total expenditures	\$	-	\$	-	\$	-	\$	-	\$	- \$	-	\$	-	\$	-
Excess (deficiency) of revenues															
over (under) expenditures	\$	-	\$		\$.	1	\$	1	\$	\$	-	\$	3,489	\$_	3,489
Net change in fund balances	\$	-	\$	-	\$	1	\$	1	\$	- \$	; -	\$	3,489	\$	3,489
Fund balances - beginning		-		-		1,894		1,894		-	-		49,448		49,448
Fund balances - ending	\$	-	\$	-	\$	1,895	\$	1,895	\$	- \$	-	\$	52,937	\$	52,937

Statement of Fiduciary Net Position - Fiduciary Fund Discretely Presented Component Unit - School Board At June 30, 2017

		Scholarship Private- Purpose Trust Fund
ASSETS		
Cash and cash equivalents	\$_	95,909
Total assets	\$	95,909
NET POSITION		
Held in trust for scholarships	\$	95,909
Total net position	\$	95,909
Total liabilities and net position	\$	95,909

Statement of Changes in Fiduciary Net Position - Fiduciary Fund Discretely Presented Component Unit - School Board Year Ended June 30, 2017

		Scholarship Private- Purpose Trust Fund
Additions:	_	_
Interest income	\$	(1,706)
Total additions	\$.	(1,706)
Deductions:		
Scholarships awarded	\$ .	5,023
Total deductions	\$	5,023
Change in net position	\$	(6,729)
Net position - beginning of year	-	102,638
Net position - end of year	\$	95,909

Discretely Presented Component Unit - Madison County Parks and Recreation Authority Statement of Net Position

At June 30, 2017

Current assets: Cash and cash equivalents  Noncurrent assets: Capital assets (net of depreciation): Construction in progress Building improvements Equipment 29,019 Total capital assets  Total assets  Current liabilities  Current liabilities: Accounts payable Accrued expenses  Total current liabilities  Net Position Investment in capital assets  \$ 126,133  126,133  126,133  126,133  126,133  126,133  126,133  126,133	Assets		
Noncurrent assets:  Capital assets (net of depreciation):  Construction in progress \$ 42,060 Building improvements \$ 26,975 Equipment \$ 29,019  Total capital assets \$ 98,054  Total assets \$ 224,187  Liabilities  Current liabilities: Accounts payable \$ 13,382 Accrued expenses \$ 2,937  Total current liabilities \$ 16,319  Net Position Investment in capital assets \$ 98,054 Unrestricted \$ 109,814	Current assets:		
Capital assets (net of depreciation):       42,060         Construction in progress       \$ 42,060         Building improvements       26,975         Equipment       29,019         Total capital assets       \$ 98,054         Total assets       \$ 224,187         Liabilities       Current liabilities:         Accounts payable       \$ 13,382         Accrued expenses       2,937         Total current liabilities       \$ 16,319         Net Position       \$ 98,054         Unrestricted       109,814	Cash and cash equivalents	\$	126,133
Capital assets (net of depreciation):       42,060         Construction in progress       \$ 42,060         Building improvements       26,975         Equipment       29,019         Total capital assets       \$ 98,054         Total assets       \$ 224,187         Liabilities       Current liabilities:         Accounts payable       \$ 13,382         Accrued expenses       2,937         Total current liabilities       \$ 16,319         Net Position       \$ 98,054         Unrestricted       109,814			
Construction in progress       \$ 42,060         Building improvements       26,975         Equipment       29,019         Total capital assets       \$ 98,054         Total assets       \$ 224,187         Liabilities       Current liabilities:         Accounts payable       \$ 13,382         Accrued expenses       2,937         Total current liabilities       \$ 16,319         Net Position         Investment in capital assets       \$ 98,054         Unrestricted       109,814	Noncurrent assets:		
Building improvements       26,975         Equipment       29,019         Total capital assets       \$ 98,054         Liabilities         Current liabilities:         Accounts payable       \$ 13,382         Accrued expenses       2,937         Total current liabilities       \$ 16,319         Net Position         Investment in capital assets       \$ 98,054         Unrestricted       109,814	Capital assets (net of depreciation):		
Equipment       29,019         Total capital assets       \$ 98,054         Total assets       \$ 224,187         Liabilities       \$ 13,382         Accounts payable       \$ 13,382         Accrued expenses       2,937         Total current liabilities       \$ 16,319         Net Position       \$ 98,054         Unrestricted       109,814	Construction in progress	\$	42,060
Total capital assets \$ 98,054  Total assets \$ 224,187  Liabilities Current liabilities: Accounts payable \$ 13,382 Accrued expenses \$ 2,937  Total current liabilities \$ 16,319  Net Position Investment in capital assets \$ 98,054 Unrestricted \$ 109,814	Building improvements		26,975
Total assets \$ 224,187  Liabilities Current liabilities: Accounts payable \$ 13,382 Accrued expenses \$ 2,937  Total current liabilities \$ 16,319  Net Position Investment in capital assets \$ 98,054 Unrestricted \$ 109,814	Equipment		29,019
Liabilities  Current liabilities:  Accounts payable \$ 13,382 Accrued expenses \$ 2,937  Total current liabilities \$ 16,319  Net Position Investment in capital assets \$ 98,054 Unrestricted \$ 109,814	Total capital assets	\$	98,054
Current liabilities: Accounts payable Accrued expenses  Total current liabilities  Net Position Investment in capital assets Unrestricted  \$ 13,382 2,937  \$ 16,319	Total assets	\$	224,187
Accounts payable \$ 13,382 Accrued expenses \$ 2,937  Total current liabilities \$ 16,319  Net Position Investment in capital assets \$ 98,054 Unrestricted \$ 109,814	Liabilities		
Accrued expenses 2,937  Total current liabilities \$ 16,319  Net Position Investment in capital assets \$ 98,054 Unrestricted \$ 109,814	Current liabilities:		
Total current liabilities \$\frac{16,319}{\$}\$  Net Position Investment in capital assets \$\frac{98,054}{\$}\$ Unrestricted \$\frac{109,814}{\$}\$	Accounts payable	\$	13,382
Net Position Investment in capital assets Unrestricted  \$ 98,054 109,814	Accrued expenses	_	2,937
Investment in capital assets \$ 98,054 Unrestricted \$ 109,814	Total current liabilities	\$	16,319
Unrestricted 109,814	Net Position		
	Investment in capital assets	\$	98,054
	Unrestricted		109,814
Total net position \$ 207,868	Total net position	\$	207,868

Discretely Presented Component Unit - Madison County Parks and Recreation Authority Statement of Revenues, Expenses, and Changes in Net Position Year Ended June 30, 2017

Operating revenues	
Charges for services	\$ 122,582
Miscellaneous	 73,892
Total operating revenues	\$ 196,474
Operating Expenses	
Personal services	\$ 40,380
Fringe benefits	4,031
Contractual services	84,373
Other charges	163,809
Depreciation	 11,384
Total operating expenses	\$ 303,977
Operating income (loss)	\$ (107,503)
Nonoperating revenues	
Contribution from Madison County	\$ 315,371
Total nonoperating revenues	\$ 315,371
Change in net position	\$ 207,868
Net position, beginning of year	 
Net position, end of year	\$ 207,868

Discretely Presented Component Unit - Madison County Parks and Recreation Authority Statement of Cash Flows Year Ended June 30, 2017

Cash flows from operating activities		
Receipts from customers	\$	196,474
Payments to employees		(41,474)
Payments to suppliers		(234,800)
Net cash provided by (used for) by operating activities	\$	(79,800)
Cash flows from capital and related financing activities		
Purchases of capital assets	\$	(29,832)
r distributes of supritar assets	Ψ	(27,002)
Cash flows from noncapital financing activities		
Contribution from Madison County	\$	235,765
, and the second		
Net increase (decrease) in cash and cash equivalents	\$	126,133
Cash and cash equivalents, beginning of year	_	<u>-</u>
Cash and cash equivalents, end of year	\$	126,133
Reconciliation of operating income (loss) to net cash		
provided by (used for) operating activities:		
Operating income (loss)	\$	(107,503)
Depreciation		11,384
Change in assets and liabilities:		
Accounts payable		13,382
Accrued expenses	_	2,937
Net cash provided by (used for) by operating activities	\$	(79,800)



- Other Supplementary Information - Supporting Schedules



Fund, Major and Minor Revenue Source		Original Budget		Budget As Amended	_	Actual	Variance I Amendo Budge Positiv (Negativ	ed t e
Primary Government:								
General Fund:								
Revenue from local sources:								
General property taxes:								
Real property taxes	\$	11,003,000	\$	11,003,000	\$	11,180,007 \$	177	,007
Real and personal public service corporation								
property taxes		330,000		330,000		310,708	(19	,292)
Personal property taxes		2,882,000		2,882,000		3,093,225	•	,225
Mobile home taxes		7,000		7,000		8,030		,030
Machinery and tools taxes		66,500		66,500		74,131		,631
Merchants capital taxes		202,200		202,200		241,297		,097
Penalties		188,900		188,900		211,202		,302
Interest		102,000		102,000		98,860		,140)
Tax collection fee		59,000		59,000		64,918		,918
			_		_			
Total general property taxes	\$_	14,840,600	\$_	14,840,600	\$_	15,282,378 \$	441	,778
Other local taxes:								
Local sales and use taxes	\$	965,000	\$	965,000	\$	1,021,382 \$	56	,382
Consumers' utility taxes		323,000		323,000		339,369	16	,369
Local consumption tax		39,000		39,000		40,622	1	,622
Restaurant food taxes		405,000		405,000		445,670	40	,670
Transient occupancy taxes		137,500		137,500		150,390	12	,890
Gross receipts taxes		20,000		20,000		18,866		,134)
Bank stock taxes		83,400		83,400		104,958		,558
Motor vehicle licenses		425,000		425,000		446,360		,360
Taxes on recordation and wills	_	132,000		132,000	_	158,049		,049
Total other local taxes	\$	2,529,900	\$_	2,529,900	\$_	2,725,666 \$	195	,766
Permits, privilege fees and regulatory licenses:								
Animal licenses	\$	10,000	\$	10,000	\$	8,416 \$	(1	,584)
Building and related permits		185,525		185,525		191,978	-	,453
Land transfer fees		500		500		496		(4)
Land use application fees	_	21,000		21,000	_	21,900		900
Total permits, privilege fees and regulatory licenses	\$	217,025	\$_	217,025	\$_	222,790_\$	5	,765
Fines and Forfeitures:								
Court fines and forfeitures	\$	199,100	\$	199,100	\$	170,298 \$	(28	,802)
Court Times and Forrestales	<b>~</b> _	177/100	. * -	177/100	Ψ_		(20	7002)
Total fines and forfeitures	\$_	199,100	\$_	199,100	\$_	170,298 \$	(28	,802)
Revenue from use of money and property:								
Revenue from use of money	\$	28,000	\$	28,000	\$	48,524 \$	20	,524
Revenue from use of property	_	82,592	. –	82,592	_	83,467		875
Total revenue from use of money and property	\$_	110,592	\$_	110,592	\$_	131,991_\$	21	,399

Fund, Major and Minor Revenue Source		Original Budget		Budget As Amended	_	Actual	\	Variance From Amended Budget Positive (Negative)
Primary Government: (Continued) General Fund: (Continued) Revenue from local sources: (continued) Charges for services: Sheriff's fees Commonwealth attorney fees	\$	344 1,200	\$	344 1,200	\$	344 1,146	\$	- (54)
Courthouse maintenance fees Courtroom security fees Other charges for services Ambulance transportation fees Waste collection and disposal charges	_	8,300 39,000 12,750 310,000 110,000		8,300 39,000 12,750 310,000 110,000		8,595 41,567 19,063 301,005 118,405		295 2,567 6,313 (8,995) 8,405
Total charges for services	\$_	481,594	\$_	481,594	\$_	490,125	\$	8,531
Miscellaneous: Expenditure refunds CSA Performance bonds	\$	79,000 - -	\$	103,222 54,219	\$	102,678 86,218	\$	(544) 31,999
Miscellaneous	_	72,905	_	133,906	_	119,171	_	(14,735)
Total miscellaneous	\$_	151,905	\$	291,347	\$_	308,067	\$	16,720
Total revenue from local sources	\$_	18,530,716	\$_	18,670,158	\$_	19,331,315	\$_	661,157
Intergovernmental: Revenue from the Commonwealth: Noncategorical aid: Motor vehicle carrier's tax Rental tax - DMV	\$	500 1,500	\$	500 1,500	\$	341 1,779	\$	(159) 279
Mobile home titling taxes PPTRA Communication taxes Recordation tax	_	5,000 1,029,053 570,000 40,000		5,000 1,029,053 570,000 40,000	_	9,939 1,029,053 548,209 38,965	_	4,939 - (21,791) (1,035)
Total noncategorical aid	\$_	1,646,053	\$_	1,646,053	\$_	1,628,286	\$	(17,767)
Categorical aid: Shared expenses:								
Commonwealth's attorney Sheriff Commissioner of the Revenue Treasurer Registrar/electoral board Clerk of the Circuit Court	\$	169,477 716,920 77,252 90,018 36,650 197,787	\$	169,477 716,920 77,252 90,018 36,650 212,316	\$ 	167,648 704,678 75,905 88,518 37,029 210,641	\$	(1,829) (12,242) (1,347) (1,500) 379 (1,675)
Total shared expenses	\$_	1,288,104	\$_	1,302,633	\$_	1,284,419	\$_	(18,214)

Fund, Major and Minor Revenue Source		Original Budget		Budget As Amended	_	Actual		Variance From Amended Budget Positive (Negative)
Primary Government: (Continued)								
General Fund: (Continued)								
Intergovernmental: (continued)								
Revenue from the Commonwealth: (continued)  Other categorical aid:								
Fire programs	\$	35,000	\$	42,443	\$	42,443	\$	_
Litter Control	Ψ	5,900	Ψ	5,900	Ψ	7,240	Ψ	1,340
Four for life		14,000		14,601		14,601		-
Domestic Violence		45,000		45,000		45,000		-
Victim witness		28,500		13,297		11,454		(1,843)
Department of Juvenile Justice		6,385		6,385		4,353		(2,032)
E-911		41,600		41,600		45,096		3,496
PSAP State 911 grant		141,870		141,870		58,770		(83,100)
Comprehensive Services Act Sheriff -asset forfeiture		2,020,000		2,260,231		1,997,675 7,327		(262,556) 7,327
Public assistance and welfare		720,015		720,015		7,327 772,078		52,063
Other state grants		31,437		79,368		76,521		(2,847)
•	_				_		_	
Total other categorical aid	<b>\$</b> _	3,089,707	\$	3,370,710	\$_	3,082,558	\$	(288,152)
Total categorical aid	\$_	4,377,811	\$ _	4,673,343	\$_	4,366,977	\$_	(306,366)
Total revenue from the Commonwealth	\$_	6,023,864	\$_	6,319,396	\$_	5,995,263	\$_	(324,133)
Revenue from the Federal Government:								
Payments in lieu of taxes	\$_	85,300	\$_	85,300	\$_	87,874	\$_	2,574
Categorical aid:								
Public assistance and welfare	\$	1,118,678	\$	1,487,072	\$	1,094,892	\$	(392,180)
Sheriff -asset forfeiture		-		_		5,334		5,334
Justice assistance grant		1,658		2,884		1,226		(1,658)
Victim Witness		-		39,891		34,369		(5,522)
Ground Safety Transportation	_	10,850		10,850	_	8,010		(2,840)
Total categorical aid	\$_	1,131,186	\$_	1,540,697	\$_	1,143,831	\$_	(396,866)
Total revenue from the Federal Government	\$_	1,216,486	\$	1,625,997	\$_	1,231,705	\$_	(394,292)
Total General Fund	\$_	25,771,066	\$	26,615,551	\$_	26,558,283	\$	(57,268)

Fund, Major and Minor Revenue Source		Original Budget		Budget As Amended	_	Actual	\	Variance From Amended Budget Positive (Negative)
Discretely Presented Component Unit - School Board: School Operating Fund: Revenue from local sources:								
Revenue from use of money and property: Revenue from use of property	\$_	1,000	\$.	1,000	\$_	-	\$_	(1,000)
Charges for services: Charges for education	\$_	708,370	\$	708,370	\$_	2,275	\$_	(706,095)
Total charges for services	\$_	708,370	\$	708,370	\$_	2,275	\$	(706,095)
Miscellaneous: Rebates and refunds Miscellaneous	\$	5,000 51,000	\$	5,000 51,000	\$ _	691,504 100,095	\$	686,504 49,095
Total miscellaneous	_	56,000	-	56,000	_	791,599	_	735,599
Total revenue from local sources	\$_	765,370	\$	765,370	\$_	793,874	\$	28,504
Intergovernmental: County contribution to School Board	\$_	8,440,263	\$	8,443,737	<b>\$</b> _	8,205,887	\$	(237,850)
Revenue from the Commonwealth: Categorical aid: Share of state sales tax Basic school aid Special ed SOQ Vocational SOQ At risk funds Remedial education Technology Textbook payments Primary class size Fringe benefits Other state funds  Total categorical aid Total revenue from the Commonwealth	\$ \$_ \$_	2,230,892 4,610,846 610,319 136,931 155,604 154,536 154,000 107,373 168,284 879,289 667,319 9,875,393	\$ .	2,230,892 4,610,846 610,319 136,931 155,604 154,536 154,000 107,373 168,284 879,289 667,319 9,875,393	<b>-</b> \$_	2,161,493 4,426,279 586,907 131,678 111,370 148,608 154,000 72,603 166,976 847,441 706,479 9,513,834	\$	(69,399) (184,567) (23,412) (5,253) (44,234) (5,928) - (34,770) (1,308) (31,848) 39,160 (361,559)
Revenue from the federal government: Categorical aid: Title I Title III Title VI - B Special Education Vocational education Preschool Other funds Title II  Total categorical aid Total revenue from the federal government Total School Operating Fund	\$ \$ \$ \$	323,401 986 460,577 27,493 - - 76,822 889,279 889,279	\$	323,401 986 460,577 27,493 - - 76,822 889,279 889,279	\$_ \$_ \$_	378,477 881 431,286 27,601 10,657 266 30,830 879,998 879,998		55,076 (105) (29,291) 108 10,657 266 (45,992) (9,281) (9,281)

Fund, Major and Minor Revenue Source		Original Budget		Budget As Amended	Actual	Variance From Amended Budget Positive (Negative)
Discretely Presented Component Unit School Board: (Con Special Revenue Funds: School Cafeteria Fund: Revenue from local sources:	ntinued)		· -			
Charges for services: Cafeteria sales	\$_	365,000	\$_	365,000 \$	335,094	(29,906)
Total charges for services	\$	365,000	\$	365,000 \$	335,094	(29,906)
Miscellaneous: Miscellaneous	\$_	38,000	\$_	38,000 \$	3,550	(34,450)
Total revenue from local sources	\$_	403,000	\$	403,000 \$	338,644	(64,356)
Intergovernmental: Revenue from the Commonwealth: Categorical aid: School food grant	\$	20,000	\$	20,000 \$	23,089 \$	3,089
Revenue from the federal government:  Categorical aid:  School food grant	<u> </u>	452,000	• •	452,000 \$	510,297	
Total School Cafeteria Fund	* <u>-</u> \$	875,000		875,000 \$	872,030	
School Lottery Fund: Revenue from local sources: Revenue from use of money and property: Revenue from use of money	\$ <b>=</b>	_	\$	- \$	1 \$	<u> </u>
Total revenue from use of money and property	\$	_	\$	- \$	1 \$	
Total School Lottery Fund	\$_	-	\$	- \$	1 9	1
School Capital Fund: Revenue from local sources: Revenue from use of money and property: Revenue from use of money	<b>=</b> \$_	-	\$	- \$	10 _ \$	
Total revenue from use of money and property	\$_	-	\$_	\$_	10_\$	510_
Intergovernmental: County contribution to School Board	\$_	-	\$_	38,000 \$	38,000_9	S
Total School Capital Fund	\$	-	\$	38,000 \$	38,010	10
School Textbook Fund: Revenue from local sources: Revenue from use of money and property: Revenue from use of money	\$		\$	- \$	15 \$	5 15
Total revenue from use of money and property	\$	-	\$	- \$	15 \$	
Miscellaneous:	· <del>-</del>		-	··		
Miscellaneous	\$_		\$_	- \$	3,474	3,474
Total revenue from local sources	\$_	-	\$_	\$_	3,489	
Total School Textbook Fund	\$ <u></u>	-	\$	<u> </u>	3,489	3,489
Total RevenuesDiscretely Presented Component Unit School Board	\$_	20,845,305	\$	20,886,779 \$	20,307,123	(579,656)

Fund, Function, Activities and Elements		Original Budget		Budget As Amended		Actual	Variance From Amended Budget Favorable (Unfavor.)
Primary Government:							
General Fund:							
General government administration:							
Legislative:							
Board of supervisors	\$	61,519	\$_	63,087	<u></u> \$	58,142 \$	4,945
General and financial administration:							
County administrator	\$	239,516	\$	239,516	\$	229,017 \$	10,499
Legal services		86,696		86,696		67,570	19,126
Independent Auditor		57,300		57,300		42,693	14,607
Commissioner of the revenue		211,029		211,029		204,812	6,217
Personal property		9,374		9,374		9,245	129
Data Processing		126,000		218,747		180,594	38,153
Land use		1,675		1,675		1,593	82
Assessor		6,200		6,200		5,432	768
Finance Department		210,803		210,803		192,044	18,759
Treasurer	_	259,622		259,622	_	253,353	6,269
Total general and financial administration	\$	1,208,215	\$	1,300,962	\$	1,186,353 \$	114,609
Board of Elections:							
Electoral board and officials	\$	62,900	\$	62,900	\$	32,812 \$	30,088
Registrar	_	76,796		76,796	_	75,403	1,393
Total board of elections	\$	139,696	\$_	139,696	\$	108,215 \$	31,481
Total general government administration	\$	1,409,430	\$	1,503,745	\$	1,352,710 \$	151,035
Judicial administration:							
Courts:							
Circuit court	\$	29,417	\$	29,417	\$	27,109 \$	2,308
Combined court		11,100		11,100		8,546	2,554
Clerk of the circuit court		304,099		349,147		319,516	29,631
Sheriff - court security		163,227		184,619		184,619	-
Magistrates		500		500		242	258
Rappahannock legal services							-
Victim witness program		24,409		53,188		45,824	7,364
Commissioner of accounts	_	920		920		720	200
Total courts	\$	533,672	\$_	628,891	\$	586,576 \$	42,315
Commonwealth's attorney:							
Commonwealth's attorney	\$	335,773	\$_	337,141	\$	332,080 \$	5,061
Total judicial administration	\$	869,445	\$_	966,032	\$	918,656_\$	47,376

Fund, Function, Activities and Elements		Original Budget		Budget As Amended		Actual	Variance From Amended Budget Favorable (Unfavor.)
Primary Government: (Continued)							
General Fund: (Continued)							
Public safety:							
Law enforcement and traffic control:	ф	1 04/ 202	ф	1 040 200	¢	1 010 004 ф	27.407
Sheriff Public safety	\$	1,846,203 44,914	<b>\$</b>	1,849,380 44,914	\$	1,812,884 \$ 28,341	36,496 16,573
E-911 system		973,171		1,005,505		812,434	193,071
· ·	_				. —		
Total law enforcement and traffic control	\$_	2,864,288	\$_	2,899,799	\$	2,653,659 \$	246,140
Fire and rescue services:							
Volunteer fire department	\$	119,500	\$	126,943	\$	126,943 \$	-
Ambulance and rescue service		264,000		264,601		264,601	-
Emergency medical services		1,265,761		1,291,355		1,197,186	94,169
EMS Council	_	7,743		7,743		7,743	
Total fire and rescue services	\$_	1,657,004	\$_	1,690,642	\$	1,596,473 \$	94,169
Correction and detention:							
Confinement of prisoners	\$	800	\$	800	\$	42 \$	758
Regional jail		752,795		760,032		760,032	-
Jefferson area community corrections		7,978		7,978		7,978	-
Juvenile detention		53,502		53,502		50,957	2,545
Probation office	_	20,829		20,829		11,476	9,353
Total correction and detention	\$	835,904	\$_	843,141	\$	830,485 \$	12,656
Inspections:							
Building	\$_	249,999	\$_	249,999	\$	235,243 \$	14,756
Total inspections	\$	249,999	\$	249,999	\$	235,243 \$	14,756
Other protection:							
Animal control and shelter facility	\$	231,869	\$	243,409	\$	236,653 \$	6,756
Line of Duty Act		60,050		60,050		56,410	3,640
Services to abused families		1,000		1,000		1,000	-
Medical examiner (coroner)	_	500		500		40	460
Total other protection	\$	293,419	\$	304,959	\$	294,103 \$	10,856
Total public safety	\$	5,900,614	\$	5,988,540	\$	5,609,963 \$	378,577
Public works:					_		
Sanitation and waste removal:							
County landfill	\$	490,575	\$_	490,575	\$	445,792 \$	44,783
Total sanitation and waste removal	\$_	490,575	\$_	490,575	\$	445,792 \$	44,783
Maintenance of general buildings and grounds:	_		_				
General properties	\$	529,274	\$	598,317	\$	500,253 \$	98,064
Total maintenance of general buildings and grounds	\$	529,274		598,317	_	500,253 \$	
Total public works	\$	1,019,849		1,088,892		946,045 \$	
. Star paono works	Ψ_	1,017,017	_ ~_	1,000,072	• * —	, 10,010 ψ	112,017

Fund, Function, Activities and Elements		Original Budget		Budget As Amended		Actual	Variance From Amended Budget Favorable (Unfavor.)
Primary Government: (Continued) General Fund: (Continued)							
Health and welfare:							
Health:							
Supplement of local health department	\$	140,412	- \$ _	140,412	\$	140,412 \$	
Total health	\$_	140,412	\$_	140,412	\$	140,412 \$	
Mental health and mental retardation:							
Chapter X board	\$	81,467	\$	81,467	\$	81,467 \$	-
	_	04.447		04.447	_	01.1/7.1	
Total mental health and mental retardation	\$_	81,467	- \$_	81,467	-\$	81,467 \$	
Welfare:							
Administration	\$	2,304,864	\$	2,673,258	\$	2,256,603 \$	416,655
Tax relief for the elderly		-		-		40,762	(40,762)
Madison free clinic		2,500		2,500		2,500	-
Rapp-Rapidan medical reserve corporation		1,000		1,000		1,000	-
Piedmont regional dental clinic		3,000		3,000		3,000	-
CSA - at risk youth		3,000,000		3,555,653	_	3,374,911	180,742
Total welfare	\$_	5,311,364	\$_	6,235,411	\$	5,678,776 \$	556,635
Total health and welfare	\$_	5,533,243	\$_	6,457,290	\$	5,900,655 \$	556,635
Education:							
Contributions to community colleges	\$	3,525	¢	3,525	¢	3,525 \$	
Contributions to community conleges  Contributions to component unit school board	Φ	8,440,263	Φ	8,443,737	Φ	8,205,887	237,850
Total education	\$	8,443,788	 \$	8,447,262	- <u>-</u>	8,209,412 \$	237,850
Total caacation	Ť-	0,1.0,700	- Ť <b>–</b>	0/11//202	- * —	0/20//112	20.7000
Parks, recreation and cultural:							
Parks and recreation:	•			F0 000		F0 000 A	
Parks and recreation	\$		\$	53,903	\$	53,903 \$	-
Recreation authority	_	175,290		175,290		175,290	
Total parks and recreation	\$	175,290	\$_	229,193	\$	229,193 \$	-
Cultural enrichment:							
Boys and girls club	\$	2,000	\$	2,000	\$	2,000 \$	_
Senior center		500		500		500	_
Madison county fair		1,000	_	1,000		1,000	-
Total cultural enrichment	\$	3,500	\$_	3,500	\$	3,500 \$	
Library							
Library: County library	\$	123,772	\$	123,772	\$	123,772 \$	-
	_		_				
Total parks, recreation and cultural	\$ <u></u>	302,562	-	356,465	\$	356,465 \$	-

Fund, Function, Activities and Elements		Original Budget		Budget As Amended		Actual	Va	ariance From Amended Budget Favorable (Unfavor.)
Primary Government: (Continued) General Fund: (Continued) Community development: Planning and community development: Planning commission Zoning and planning Economic development Rapidan Better Housing Corp. Aging together Board of zoning appeals	\$	20,885 137,077 133,846 7,000 3,000 5,500	\$	20,885 139,327 133,846 7,000 3,000 5,500	\$	12,576 \$ 135,518 123,740 7,000 3,000 2,568	;	8,309 3,809 10,106 - - 2,932
Board of building code appeals Tourism Planning district commission Geographic information system Skyline CAP	_	700 50,000 21,168 19,982 47,585		700 50,000 21,168 19,982 47,585		50,074 21,168 9,497 47,585		700 (74) - 10,485
Total planning and community development	\$_	446,743	\$_	448,993	\$	412,726 \$		36,267
Environmental management: Soil and water conservation district Forestry service Water quality management	\$	34,587 5,984 1,000	\$	34,587 5,984 1,000	\$	34,587 \$ 5,984 1,000		- - -
Total environmental management	\$_	41,571	\$_	41,571	\$	41,571 \$		-
Cooperative extension program: VPI extension Northern VA 4-H center	\$ _	99,217 750	\$	99,217 750	\$	89,898 \$ 750		9,319 -
Total cooperative extension program	\$_	99,967	\$_	99,967	\$	90,648 \$		9,319
Total community development	\$_	588,281	\$_	590,531	\$	544,945 \$	<u> </u>	45,586
Nondepartmental: Miscellaneous Contingency	\$	42,852 350,000	\$	103,324 38,490	\$	64,096 \$ -		39,228 38,490
Total nondepartmental	\$_	392,852	\$	141,814	\$	64,096 \$	<u> </u>	77,718
Debt service: Principal retirement Interest and fiscal charges	\$	1,103,170 267,113	\$	1,103,170 284,088	\$	1,103,170 \$ 284,088	;	- -
Total debt service	\$_	1,370,283	\$_	1,387,258	\$_	1,387,258 \$		<u> </u>
Total General Fund	\$	25,830,347	\$	26,927,829	\$	25,290,205 \$	i	1,637,624
	-							

Fund, Function, Activities and Elements		Original Budget		Budget As Amended	_	Actual	Variance From Amended Budget Favorable (Unfavor.)
Primary Government: (Continued) Capital Improvement Fund: Education: Contributions to component unit school board	\$		¢	20,000	¢	20.000 #	
·	Φ_	-	\$_	38,000	<b>&gt;</b> —	38,000 \$	
Capital Projects: Miscellaneous projects	\$_	35,000	\$_	3,894	\$	\$	3,894
Total capital projects	\$	35,000	\$	3,894	\$	\$	3,894
Total Capital Improvement Fund	\$	35,000	\$_	41,894	\$	38,000 \$	3,894
Total ExpendituresPrimary Government	\$	25,865,347	\$	26,969,723	\$	25,328,205 \$	1,641,518
Discretely Presented Component Unit School Board: School Operating Fund: Education:	_		-		_		
Instruction Administration, attendance and health Pupil transportation services Operation and maintenance services Technology	\$	14,626,752 1,038,012 1,517,626 2,102,765 618,973	\$	14,630,226 1,038,012 1,517,626 2,102,765 618,973	\$	14,465,607 \$ 1,030,768 1,318,851 1,894,008 618,182	164,619 7,244 198,775 208,757 791
Total education	\$	19,904,128	\$	19,907,602	\$	19,327,416 \$	580,186
Debt service: Principal retirement Interest and fiscal charges	\$	62,028 4,149	\$	62,028 4,149	\$	62,028 \$ 4,149	- -
Total debt service	\$_	66,177	\$_	66,177	\$	66,177 \$	
Total School Operating Fund	\$_	19,970,305	\$	19,973,779	\$	19,393,593 \$	580,186
Special Revenue Funds: School Cafeteria Fund: Education:							
School food program	\$_	875,000	\$_	875,000	\$_	863,810 \$	11,190
School Capital Fund: Capital Projects: School projects	\$	-	\$	38,000	\$	38,000 \$	-
Total capital projects	\$		- ˙ <b>-</b> \$	38,000	_	38,000 \$	
Total School Capital Fund	\$		-	38,000	_	38,000 \$	
Total ExpendituresDiscretely Presented Component Unit School Board	\$	20,845,305	\$_	20,886,779		20,295,403 \$	





COUNTY OF MADISON, VIRGINIA

Government-Wide Expenses by Function Last Ten Fiscal Years

General						Parks			
Government	Judicial			Health		Recreation		Interest	
	Adminis-	Public	Public	and		and	Community	on	
tration	tration	Safety	Works	Welfare	Education	Cultural	Development	Debt	Total
1,159,581 \$		611,026 \$ 4,311,119 \$ 1,553,922 \$ 2,513,784 \$	1,553,922 \$	2,513,784 \$	7,656,901 \$	283,031 \$		732,319 \$ 205,686 \$ 19,027,369	19,027,369
1,274,260		4,279,844	1,432,619	2,652,806	7,455,744	354,226	435,164	206,551	18,907,292
,236,352	784,033	4,266,320	1,235,080	2,580,466	8,259,183	371,752	411,120	199,776	19,344,082
1,208,692	772,906	4,487,980	1,275,161	2,880,632	8,285,417	364,838	654,796	179,355	20,109,777
1,227,155	1,060,673	4,744,000	932,928	3,804,200	7,967,091	382,268	484,057	132,026	20,734,398
1,444,310	1,259,543	5,044,642	1,134,355	4,639,198	7,736,750	430,365	483,237	226,396	22,398,796
1,191,034	1,207,655	5,486,234	958,957	4,752,444	13,029,097	422,822	511,140	315,760	27,875,143
,385,253	1,133,013	5,199,293	948,947	4,932,052	9,350,811	450,261	588,519	292,905	24,281,054
1,361,313	1,153,156	5,300,042	956,205	5,537,755	10,374,212	477,023	524,074	282,647	25,966,427
1,266,735	1,257,440	5,551,564	925,800	5,865,685	9,248,253	571,513	541,843	268,648	25,497,481

COUNTY OF MADISON, VIRGINIA

Government-Wide Revenues Last Ten Fiscal Years

					Total	0,00	764,916 \$ 151,095 \$ 19,068,830	24,769,867	19,510,011	21,065,832	23,474,628	24,245,421	29,579,439	25,574,410	26,049,981	26,520,566
				Miscella-	neons	7 C	\$ 660,161	249,562	133,961	185,893	268,350	613,492	290,046	290,340	386,279	308,067
	Revenues	from the	Use of	Money &	Property			150,953	174,695	125,474	99,377	112,497	120,246	106,236	115,497	131,991
	Grants and	Contributions	Not Restricted	to Specific	Programs (1)		_	1,089,378	1,082,024	1,763,040	1,756,719	1,749,093	1,749,820	1,727,109	1,736,350	1,716,160
es			Other	Local	Taxes	000	337,062 \$ 298,080 \$	274,476	265,345	282,431	401,744	418,580	408,787	421,898	432,878	472,885
<b>General Revenues</b>			Restaurant	Food	Taxes			328,782	320,479	318,251	335,143	341,365	351,835	380,853	401,303	445,670
Ger			Motor	Vehicle	Licenses	2000	321,026 \$ 346,983 \$	11,395	1,410	418,414	420,975	423,225	425,198	436,137	447,600	446,360
			Consumers'	Utility	Тах			323,111	304,321	347,299	317,594	321,273	322,800	334,364	334,021	339,369
			Comm-	unication	Tax (1)	£	666,524 \$	865,509	608,119			•	•			•
						+	A									
		Local	Sales	and	Use Tax	, ,	\$ 111,688	871,669	776,952	763,844	839,405	856,431	865,583	965,923	982,248	1,021,382
		Local	General Sales	Property and	Taxes Use Tax			16,597,542 871,669	11,966,643 776,952	12,513,243 763,844	13,623,003 839,405	14,158,939 856,431	14,730,276 865,583	14,880,317 965,923	14,881,805 982,248	15,244,661 1,021,382
es		Local			Taxes	000 00 01 07 00 00	\$67,097,010 \$ 000,08			•		~			•	
rogram Revenues		Local	General	Property		£ 000000000000000000000000000000000000	3,000,591 \$ 30,000 \$ 197,000,8	16,597,542		•	13,623,003	~	14,730,276		•	
Program Revenues		Local	Capital General	Grants and Property	Contributions	£ 000000000000000000000000000000000000	\$ 467,987,010 \$ 000,080 \$ 186,000,8 \$	95,724 16,597,542	- 11,966,643	- 12,513,243	6,250 13,623,003	- 14,158,939	4,601,477 14,730,276	- 14,880,317	- 14,881,805	- 15,244,661

(1) Starting in FY 2011 Communication Tax is reported as a revenue from the commonwealth instead of a local revenue in accordance with the Auditor of Public Accounts.

COUNTY OF MADISON, VIRGINIA

General Government Revenues by Source (1) Last Ten Fiscal Years

Total		30,073,402	35,380,219	29,779,162	30,878,988	34,052,784	35,541,333	35,733,183	36,703,658	37,644,775	38,621,519
Inter-		14,/33,412 \$	14,926,950	14,020,795	14,368,576	15,606,531	16,559,976	16,795,001	17,107,278	17,568,139	18,154,186
Recovered		1	1	1	1	ı	1	1	1	ı	•
Miscel-	500	7.76,997	416,134	214,365	336,102	741,178	909,130	519,461	996' 169	1,063,394	1,106,690
Charges for		962,013 \$	844,561	818,527	957,404	1,304,487	998′ 286	968,135	919,345	968,408	827,494
Revenues from the Use of Money &	S LOGO	300,560 \$	180,985	213,718	168,030	129,874	146,549	152,516	128,613	123,980	132,017
Fines &		\$ 08/'89	127,581	160,201	162,755	152,815	164,756	189,681	218,303	170,894	170,298
Permits, Privilege Fees & Regulatory		\$ 862,282	213,156	193,601	228,572	164,269	161,826	242,529	176,783	212,473	222,790
Other Local		2,854,786 \$	2,415,031	2,276,626	2,130,239	2,314,861	2,360,874	2,374,203	2,539,175	2,598,050	2,725,666
General Property		10,641,562 \$	16,255,821	11,881,329	12,527,310	13,638,769	14,250,356	14,491,657	14,916,195	14,939,437	15,282,378
Fiscal		\$ 80-/007	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17

<sup>(1)</sup> Includes General and Capital Improvement Funds of the primary government and its discretely presented component unit.

(3) In 2009, the County changed to semiannual collections for real estate taxes. In the year of change one and a half years of real estate taxes were collected.

<sup>(2)</sup> The General Fund contributions to the Component Unit School Board are not included.

COUNTY OF MADISON, VIRGINIA

General Government Expenditures by Function (1) Last Ten Fiscal Years

Total	791,972 \$ 32,311,890	32,970,796	34,504,649	30,759,140	32,631,943	36,066,667	39,421,332	42,175,516	36,881,685	37,379,721
Debt Service	791,972 \$	800,187	1,648,163	1,585,967	1,892,410	2,581,873	1,232,766	1,428,288	1,447,093	1,453,435
Capital Projects	2,487,444 \$	3,580,242	4,634,042	239,673	52,249	1,038,856	4,663,682	6,539,841	400,226	38,000
Non- departmental	2,969 \$	141,418	84,874	111,112	90,040	130,309	36,702	5,584	1,116	64,096
Community Develop- ment	727,606 \$	434,648	382,894	653,101	481,807	481,924	508,977	595,144	535,745	544,945
Recreation and Cultural	278,166 \$	283,468	302,702	304,055	314,751	360,431	435,199	420,701	476,491	356,465
Education(2)	2007-08 \$ 1,069,986 \$ 580,475 \$ 4,103,144 \$ 1,503,808 \$ 2,492,297 \$ 18,274,023 \$	17,766,916	17,619,776	17,506,718	18,111,745	18,972,672	19,094,380	19,626,160	19,804,268	20,194,751
Health and Welfare	2,492,297 \$	2,637,754	2,549,199	2,899,404	3,795,114	4,454,921	4,731,099	4,950,311	5,582,522	5,900,655
Public Works	1,503,808 \$	1,384,744	1,213,242	1,203,558	1,184,056	1,146,436	999,430	1,025,561	950,854	946,045
Public Safety	4,103,144 \$	4,095,111	4,285,339	4,423,250	4,915,378	4,869,780	5,634,475	5,465,454	5,506,166	5,609,963
Judicial Admini- stration	580,475 \$	179,987	751,801	752,503	730,518	763,682	865,373	819,898	848,738	918,656
General Admini- stration	1,069,986 \$	1,066,321	1,032,617	1,079,799	1,063,875	1,265,783	1,219,249	1,298,574	1,328,466	1,352,710
Fiscal	2007-08 \$	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17

<sup>(1)</sup> Includes General and Capital Improvement Funds of the primary government and its discretely presented component unit.

(2) The General Fund contributions to the Component Unit School Board are not included.

COUNTY OF MADISON, VIRGINIA

Property Tax Levies and Collections Last Ten Fiscal Years

Percent of Delinquent Taxes to Tax Levy	5.37%	%20.9	8.65%	9.26%	8.48%	8.25%	9.48%	%86.6	9.91%	9.71%
Outstanding (1) Delinquent Taxes	979,000	1,067,952	1,103,966	1,226,886	1,137,175	1,163,158	1,359,533	1,457,348	1,457,348	1,454,428
Percent of Total Tax Collections to Tax Levy	98.41% \$	97.19%	98.88%	100.55%	98.93%	98.93%	98.52%	%69.66	99.15%	99.16%
Total Tax Collections	11,466,556	17,093,918	12,626,453	13,325,973	13,271,970	13,947,715	14,134,052	14,554,240	14,579,883	14,848,714
Delinquent (1) Tax (2) Collections	212,406 \$	977,283	863,163	993,265	949,858	902,588	931,044	702,747	1,175,209	1,013,226
Percent of Levy Collected	\$ %65.96	91.63%	92.12%	93.05%	91.85%	92.52%	92.03%	94.88%	91.15%	92.39%
Current Tax (1) (3) Collections	11,254,150 \$	16,116,635	11,763,290	12,332,708	12,322,112	13,045,127	13,203,008	13,851,493	13,404,674	13,835,488
Total (1) Tax Levy	2007-08 \$ 11,652,043 \$	17,587,904	12,769,838	13,253,517	13,415,513	14,099,257	14,346,454	14,599,617	14,705,489	14,974,584
Fiscal	2007-08 \$	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17

<sup>(1)</sup> Exclusive of penalties and interest.

(3) Includes Commonwealth of Virginia Personal Property Tax Relief Act funds.

<sup>(2)</sup> Does not include land redemptions.

COUNTY OF MADISON, VIRGINIA

Assessed Value of Taxable Property (1)
Last Ten Fiscal Years

Total		3,150,559,445	2,159,308,052	2,157,129,026	2,171,462,056	1,976,852,922	1,779,816,863	1,801,789,246	1,811,346,437	1,831,652,549
Public Service	24,477,476 \$	37,295,445	41,188,982	42,548,911	47,248,097	46,116,154	44,805,961	48,828,075	47,366,304	45,692,315
Merchants' Capital	26,275,770 \$	27,220,872	26,865,146	20,612,489	24,618,756	22,921,593	20,776,576	24,428,195	24,036,071	26,384,953
Machinery and Tools	5,871,140 \$	6,014,590	4,930,033	4,490,180	4,386,450	3,801,840	3,844,827	4,144,481	4,071,363	4,469,521
Mobile Homes	1,509,889 \$	1,323,762	1,331,600	1,356,400	1,351,300	1,367,700	1,104,500	1,142,200	1,160,600	1,192,500
Personal Property	162,442,134 \$	147,441,726	122,898,091	119,915,146	115,602,303	116,902,835	117,824,549	118,207,845	114,334,699	118,763,510
Real Estate (2)	1,298,909,100 \$	2,931,263,050	1,962,094,200	1,968,205,900	1,978,255,150	1,785,742,800	1,591,460,450	1,605,038,450	1,620,377,400	1,635,149,750
Fiscal Year	2007-08 \$	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17

(1) 100% fair market value.

(2) FY 09 includes 2008 and 1st half of 2009 assessment. FY 09 was the first year the County collected Real Estate

Taxes in semiannual installments.

COUNTY OF MADISON, VIRGINIA

Table 7

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Property Tax Rates (1) Last Ten Fiscal Years

Merchants' Capital (2)	98.0	98.0	98.0	98.0	98.0	98.0	98.0	98.0	98.0	0.86
Machinery and Tools (2)	1.10 \$	1.47	1.47	1.47	1.62	1.67	1.67	1.67	1.67	1.67
Mobile Homes	0.59 \$	0.44	0.44	0.44	0.50	0.53	0.67	89.0	89.0	0.68
Personal Property (2)	2.14 \$	2.14	2.95/2.80	2.95/2.80	2.95/2.80	3.45/2.80	3.45	3.45	3.45	3.45
Real Estate	\$ 65.0	0.44	0.44	0.44/0.50	0.50/0.53	0.53/0.67	0.67/0.68	89.0	89.0	0.68
' 	↔									
Fiscal	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17

<sup>(1)</sup> Per \$100 of assessed value.

(2) Levied at 20% of fair market value through FY 05 -- at 100% in FY 06.

COUNTY OF MADISON, VIRGINIA

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

Net Bonded Debt per Capita	413	209	618	483	361	966	916	086	946	872
Ratio of Net General Obligation Debt to Assessed Value	0.0034	0.0024	0.0036	0.0030	0.0022	0.0067	0.0072	0.0072	6900.0	0.0063
Net Bonded Debt	5,174,039	7,599,998	7,743,068	6,428,248	4,810,000	13,242,500	12,881,500	12,939,000	12,483,000	11,513,000
Gross Bonded Debt (3)	5,174,039 \$	7,599,998	7,743,068	6,428,248	4,810,000	13,242,500	12,881,500	12,939,000	12,483,000	11,513,000
Assessed Value (2)	1,519,485,509 \$	3,150,559,445	2,159,308,052	2,157,129,026	2,171,462,056	1,976,852,922	1,779,816,863	1,801,789,246	1,811,346,437	1,831,652,549
Population (1)	12,520 \$	12,520	12,520	13,308	13,308	13,308	13,200	13,200	13,200	13,200
Fiscal	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17

<sup>(1)</sup> Bureau of the Census.

<sup>(2)</sup> From Table 6.

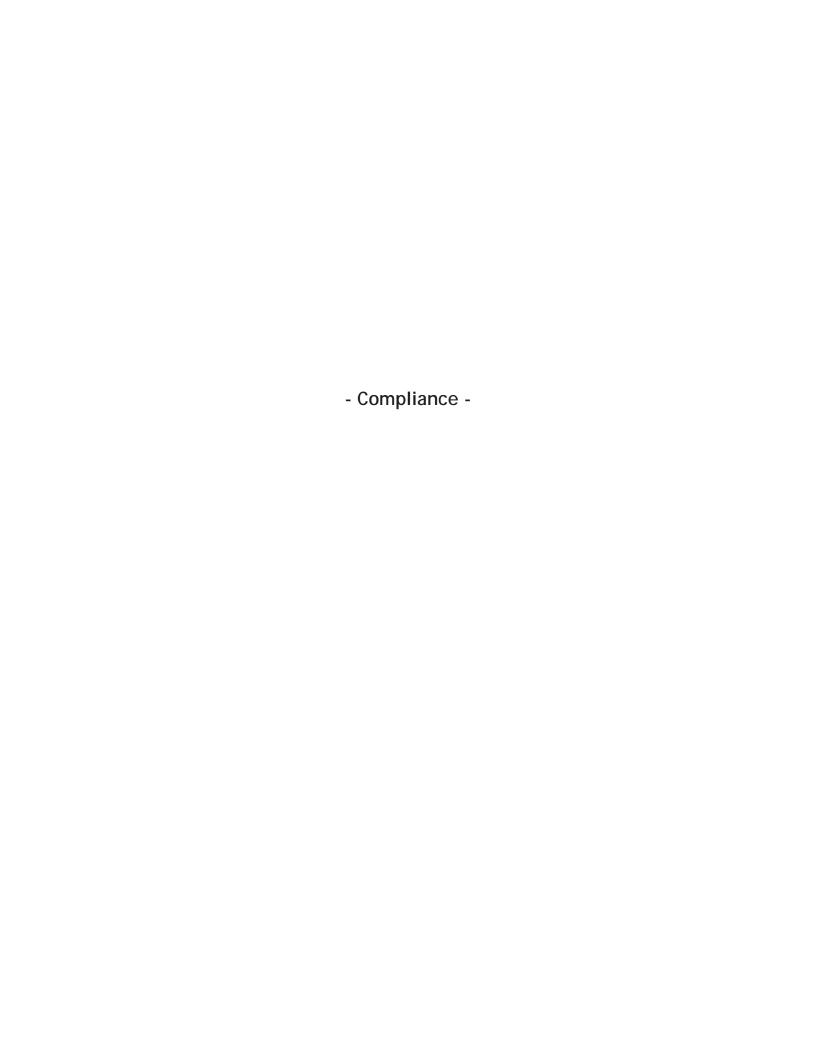
<sup>(3)</sup> Includes all long-term general obligation bonded debt and Literary Fund Loans. Excludes compensated absences and landfill closure liability.

Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Governmental Expenditures Last Ten Years

								Total	Debt Service
						Total		General	to General
Fiscal						Debt		Governmental	Governmental
Year		Principal	I	Interest	ı	Service	٦	Expenditures (1)	Expenditures
2007-08	↔	576,801	↔	215,171	↔	791,972	46	32,311,890	2.45%
2008-09		584,041		216,146		800,187		32,970,796	2.43%
2009-10		1,451,006		197,157		1,648,163		34,504,649	4.78%
2010-11		1,390,719		195,248		1,585,967		30,759,140	5.16%
2011-12		1,698,131		144,328		1,842,459		32,631,943	2.65%
2012-13		2,448,163		133,710		2,581,873		36,066,667	7.16%
2013-14		1,008,153		274,563		1,282,716		39,421,332	3.25%
2014-15		1,119,911		308,377		1,428,288		42,175,516	3.39%
2015-16		1,147,420		299,673		1,447,093		36,881,685	3.92%
2016-17		1,165,198		288,237		1,453,435		37,379,721	3.89%

(1) Includes primary government and discretely presented component unit.







# Robinson, Farmer, Cox Associates

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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 Honorable Members of the Board of Supervisors County of Madison, 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 discretely presented component units, each major fund, and the aggregate remaining fund information of County of Madison, Virginia, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County of Madison, Virginia's basic financial statements, and have issued our report thereon dated December 29, 2017.

## Internal Control over Financial Reporting

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

Hobinson, Famul, Cox Associats Charlottesville, Virginia December 29, 2017

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

### Report on Compliance for Each Major Federal Program

We have audited County of Madison, 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 County of Madison, Virginia's major federal programs for the year ended June 30, 2017. County of Madison, 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 County of Madison, 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* (CFR) 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 County of Madison, 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 County of Madison, Virginia's compliance.

#### Opinion on Each Major Federal Program

In our opinion, County of Madison, 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, 2017.

### Report on Internal Control over Compliance

Management of County of Madison, 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 County of Madison, 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 County of Madison, 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.

Charlottesville, Virginia December 29, 2017

holinson, Found, Cox associets

Schedule of Expenditures of Federal Awards Year Ended June 30, 2017

Federal Grantor/Pass - Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number		Federal penditures
Primary Government:				
Department of Justice				
Pass Through Payments:				
Department of Criminal Justice Services:			_	
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	\$	1,226
Asset Forfeitures	16.000	N/A		5,334
Crime Victim Assistance	16.575	N/A		34,369
Total Department of Justice			\$	40,929
Department of Transportation:				
Pass Through Payments:				
Virginia Department of Motor Vehicles:				
State and Community Highway Safety	20.600	SC1656411 & SC1757414	\$	8,010
Department of Health and Human Services:				
Pass Through Payments:				
Department of Social Services:				
Promoting Safe and Stable Families	93.556	0950109/0950110	\$	11,442
Temporary Assistance for Needy Families	93.558	0400109/0400110		95,352
Refugee and Entrant Assistance - State Administered Programs	93.566	0500109/0500110		338
Low-Income Home Energy Assistance	93.568	0600409/0600410		11,710
Child Care Mandatory and Matching Funds of the Child				
Care and Development Fund	93.596	0760109/0760110		15,832
Chafee Education and Training Vouchers Program	93.599	9160110		3,493
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900109/0900110		169
Foster Care - Title IV-E	93.658	1100109/1100110		321,959
Adoption Assistance	93.659	1120109/1120110		129,784
Social Services Block Grant	93.667	1000109/1000110		162,718
Chafee Foster Care Independence Program	93.674	9150108/9150109/91501110		3,236
Children's Health Insurance Program	93.767	0540109/0540110		6,083
Medical Assistance Program	93.778	1200109/1200110		187,435
Total Department of Health and Human Services			\$	949,551

Federal Grantor/Pass - Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Primary Government: (continued)  Department of Agriculture:  Pass Through Payments:  Department of Social Services:  State Administrative Matching Grants for the Supplemental  Nutrition Assistance Program	10.561	0010111/0010112/0040111/0040112	\$145,341_
Total Expenditures of Federal Awards-Primary Government			\$ 1,143,831
Component Unit School Board:			
Department of Agriculture: Pass Through Payments: Department of Agriculture:			
Food Distribution (Child Nutrition Cluster)	10.555	2013IN109941/2014IN109941	\$ 52,032
Department of Education: National School Lunch Program (Child Nutrition Cluster)	10.555	2013IN109941/2014IN109941	344,168 396,200
School Breakfast Program (Child Nutrition Cluster)	10.553	2013IN109941/2014IN109941	112,901
Department of Agriculture: Food Distribution (Child Nutrition Cluster)	10.559	2013IN109941/2014IN109941	1,196
Total Department of Agriculture/Child Nutrition Cluster			\$ 510,297
Department of Education: Pass Through Payments: Department of Education: Title 1 Grants to Local Educational Agencies	84.010	S010A120046/S010130046	\$ 378,477
Supporting Effective Instruction State Grant	84.367	S367A120044/S367A13044	30,830
English Language Acquisition State Grants	84.365	N/A	881
Special Education - Grants to States (Special Education Cluster) Special Education - Preschool Grants (Special Education Cluster) Special Education Cluster Total Advanced Placement Program	84.027 84.173 84.330	H027A120107/H027A130107 H173A120112/H173A130112 S330B130008	431,286 10,657 441,943 266
Career and Technical Education Basic Grants to States	84.048	V048A120046/V048A130046	27,601
Total Department of Education			\$ 879,998
Total Expenditures of Federal Awards-Component Unit School Board			\$ 1,390,295
Total Expenditures of Federal Awards-Reporting Entity			\$ 2,534,126

See accompanying notes to the schedule of expenditures of federal awards.

Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2017

#### Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Madison, Virginia under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance. Because the Schedule presents only a selected portion of the operations of the County of Madison, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of Madison, Virginia.

#### Note 2 - Summary of Significant Accounting Policies

- (1) Expenditures on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* and the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Pass-through entity identifying numbers are presented where available.

#### Note 3 - Food Donation

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

#### Note 4 - De Minimis Cost Rate

The County did not elect to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

#### Note 5 - Subrecipients

No awards were passed through to subrecipients.

### Note 6 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

#### Primary government:

General Fund	\$	1,231,705
Total primary government	\$_	1,231,705
Component Unit School Board:		
School Operating Fund	\$	879,998
School Cafeteria Fund	_	510,297
Total component unit school board	\$	1,390,295
Total federal expenditures per basic financial	_	
statements	\$	2,622,000
Payments in lieu of taxes	\$_	(87,874)
Total federal expenditures per the Schedule of Expenditures		
of Federal Awards	\$	2,534,126

Schedule of Findings and Questioned Costs Year Ended June 30, 2017

## Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

Significant deficiency(ies) identified?

None reported

Noncompliance material to financial statements noted?

No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

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)?

Identification of major programs:

Name of Federal Program or Cluster
 84.010 Title 1 Grants to Local Educational Agencies
 93.667 Social Services Block Grant

Dollar threshold used to distinguish between Type A and Type B

programs \$750,000

Auditee qualified as low-risk auditee?

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 - Prior Year Findings and Questioned Costs

There are no prior year findings and questioned costs to report.