# COUNTY OF MADISON, VIRGINIA FINANCIAL REPORT FISCAL YEAR ENDED JUNE 30, 2016

## Financial Report Year Ended June 30, 2016

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# DIRECTORY OF PRINCIPAL OFFICIALS FISCAL YEAR ENDED JUNE 30, 2016

#### **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

#### MADISON COUNTY SCHOOL BOARD

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

Karen M. Allen

Robert Chappell

Joseph E. Parker

#### **OTHER OFFICIALS**

	Judge of the Circuit CourtClerk of the Circuit Court
	Judge of the General District Court
	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, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

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

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

#### Auditors' Responsibility

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

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

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

#### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Madison, Virginia, as of June 30, 2016, 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.

#### Change in Accounting Principle

As described in Note 17 to the financial statements, in 2016, the County adopted new accounting guidance, GASB Statement Nos. 72 Fair Value Measurement and Application, 79 Certain External Investment Pools and Pool Participants, 82 Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73. Our opinion is not modified with respect to this matter.

#### Other Matters

#### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedules related to 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.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

#### Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of 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.

#### Other Information (continued)

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

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In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2016, 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.

Charlottesville, Virginia December 21, 2016 - Basic Financial Statements -

Government-wide Financial Statements

	Primary Government		Component Unit
	Governmental Activities		School Board
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 11,573,401	\$	2,171,122
Receivables (net of allowance for uncollectibles):			
Property taxes Accounts receivable	6,561,108		424
Inventory	257,656		23,225
Prepaid expenses	-		68,006
Due from other governments	1,086,361		571,085
Due from Primary Government	478,313		-
Total Current Assets	\$ 19,956,839	- s <u> </u>	2,833,862
Total Current Assets	3 17,730,037	- '—	2,033,002
Noncurrent Assets:			
Net pension asset	\$	\$	432,017
Capital assets:			
Land and construction in progress	\$ 1,476,624	\$	109,803
Buildings and equipment, net of depreciation	23,916,223	_ , _	7,816,246
Total Capital Assets	\$ 25,392,847	- <sup>-</sup> —	7,926,049
Total Noncurrent Assets	\$ 25,392,847	\$	8,358,066
Total Assets	\$ 45,349,686	\$	11,191,928
DEFERRED OUTFLOWS OF RESOURCES			
Pension contributions subsequent to measurement date	\$ 493,214	\$	1,351,372
Total Assets and Deferred Outflows of Resources	\$ 45,842,900		12,543,300
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 466,165	\$	161,202
Amounts held for others	87,917		· -
Accrued liabilities	-		1,816,768
Due to Component Unit	-		478,313
Accrued interest payable	156,400		-
Current portion of long-term obligations	1,179,834	- , —	101,977
Total Current Liabilities	\$ 1,890,316	Þ	2,558,260
Noncurrent Liabilities:	42, 402, 700		44 000 350
Noncurrent portion of long-term obligations	13,493,789	—	16,898,358
Total Liabilities	\$ 15,384,105	- \$	19,456,618
DEFERRED INFLOWS OF RESOURCES			
Deferred revenues - taxes	\$ 5,699,803	\$	
Items related to measurement of net pension liability	501,044		1,893,783
Total deferred inflows of resources	\$ 6,200,847	. \$	1,893,783
NET POSITION			
Net investment in capital assets	\$ 12,744,197	\$	7,799,960
Unrestricted	11,513,751	_	(16,607,061)
Total Net Position	\$ 24,257,948	\$	(8,807,101)
Total Liabilities, Deferred Inflows of Resources			
and Net Position	\$ 45,842,900	\$	12,543,300

					Net (Exp Revenu Change Net Pos	e and es in
		_	_		Primary	Component
			Program Revenu		Government	Unit
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	School Board
PRIMARY GOVERNMENT: Governmental activities: General government						
administration	\$ 1,361,31		206,571 \$	- !	. ( . ,	-
Judicial administration	1,153,15		394,063	-	(537,758)	-
Public safety	5,300,04		1,072,863	-	(3,674,390)	-
Public works	956,20		5,859	-	(833,829)	-
Health and welfare Education	5,537,75		3,621,846	-	(1,915,909)	-
Parks, recreation, and cultural	10,374,21		-	-	(10,374,212)	-
Community development	477,02 524,07		_	_	(336,866) (524,074)	
Interest on long-term debt	282,64		-	-	(282,647)	-
_						
Total governmental activities	\$ <u>25,966,42</u>	27 \$ <u>1,030,798</u> \$	5,301,202 <sup>\$</sup>		\$ <u>(19,634,427)</u> \$	-
COMPONENT UNITS: School Board	\$ <u>19,664,55</u>	5 <u>3</u> \$ <u>320,977</u> \$	10,779,587	·!	\$\$_	(8,563,989)
Total component units	\$ <u>19,664,55</u>	<u>33</u> \$ <u>320,977</u> \$	10,779,587	i:	\$\$	(8,563,989)
	revenues:					
	l property tax				14,881,805 \$	-
	ales and use to				982,248	-
	ners' utility tax				334,021	-
	ehicle license rant food taxe				447,600 401,303	-
	ocal taxes	5			432,878	-
		s from use of mon	ev and property		115,497	8,483
Miscelli		s from asc of mon	ey and property		386,279	677,115
		ions not restricted	to specific prog	rams	1,736,350	-
	oution from Co		- F F - <b>- 2</b>	-	-	9,693,567
	general reven	•		9	19,717,981 \$	10,379,165
Change i	in net position			9		1,815,176
	tion - beginnin				24,174,394	(10,622,277)
·	tion - ending	-		•	24,257,948 \$	(8,807,101)
				•		(-,,,1)

- Basic Financial Statements -

Fund Financial Statements

Balance Sheet - Governmental Funds At June 30, 2016

ASSETS	_	General Fund		Capital Improvement Fund		Total
Cash and cash equivalents Receivables (Net of allowance for uncollectibles):	\$	11,068,656	\$	504,745	\$	11,573,401
Taxes, including penalties Accounts receivable		6,561,108 257,656		-		6,561,108 257,656
Due from component unit		478,313		-		478,313
Due from other governmental units  Total assets	<b>-</b> \$	1,086,361 19,452,094	 S	504,745	 S	1,086,361 19,956,839
LIABILITIES	. =		=	•		
Accounts payable Amounts held for others	\$_	466,165 87,917	\$	-	\$	466,165 87,917
Total liabilities	\$	554,082	\$	-	\$	554,082
DEFERRED INFLOWS OF RESOURCES Unavailable revenue - taxes	\$_	6,581,452	\$_	_	\$_	6,581,452
FUND BALANCES	_		_			
Restricted Committed Assigned Unassigned	\$	152,906 81,863 239,298 11,842,493	\$	108,195 396,550 -	\$	261,101 478,413 239,298 11,842,493
Total fund balances	\$_	12,316,560	\$_	504,745	\$	12,821,305
Total liabilities, deferred inflows of resources and fund balances	\$_	19,452,094	\$_	504,745	:	
Detailed explanation of adjustments from fund statements to position:	o gove	rnment-wide	sta	tement of net		
When capital assets (land, buildings, equipment) that are to purchased or constructed, the costs of those assets are reportunds. However, the statement of net position includes those County as a whole.	orted a	s expenditure	s in	governmental		25,392,847
Interest on long-term obligations is not accrued in governmenta expenditure when due.	al funds	, but rather i	s re	cognized as an		(156,400)
Because the focus of governmental funds is on short-term finato pay for current-period expenditures. Those assets (for unavailable revenues in the governmental funds and thus are not consider the control of the contr	exampl	e, receivable	es)	are offset by		(130, 100)
Unavailable revenue - property taxes Items related to measurement of net pension liability						881,649 (501,044)
Pension contributions subsequent to the measurement date we liability in the next fiscal year and, therefore, are not reported in			o tł	ne net pension		493,214
Long-term liabilities applicable to the County's governmental accurrent period and accordingly are not reported as fund liabilities						
termare reported in the statement of net position.					_	(14,673,623)
Net position of general government activities					\$_	24,257,948

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds Year Ended June 30, 2016

Davidania		General	Capital Improvement	Total
Revenues: General property taxes	\$	14,939,437	s - s	14,939,437
Other local taxes	Ţ	2,598,050	· ·	2,598,050
Permits, privilege fees and regulatory licenses		212,473	-	212,473
Fines and forfeitures		170,894	-	170,894
Revenue from use of money and property		115,497	-	115,497
Charges for services		647,431	-	647,431
Miscellaneous		386,279	-	386,279
Intergovernmental:				
Commonwealth		6,007,308	-	6,007,308
Federal		1,030,244	. <u> </u>	1,030,244
Total revenues	\$_	26,107,613	\$\$	26,107,613
Expenditures:				
Current: General government administration	\$	1,328,466	s - s	1,328,466
Judicial administration	Ş	848,738	, - , -	848,738
Public safety		5,506,166	_	5,506,166
Public works		950,854	-	950,854
Health and welfare		5,582,522	-	5,582,522
Education		8,276,550	-	8,276,550
Parks, recreation, and cultural		476,491	-	476,491
Community development		535,745	-	535,745
Nondepartmental		1,116	-	1,116
Capital projects		-	400,213	400,213
Debt service:				
Principal retirement		1,086,042	-	1,086,042
Interest and other fiscal charges	_	297,873	· <del></del>	297,873
Total expenditures	\$	24,890,563	\$ 400,213 \$	25,290,776
Excess (deficiency) of revenues over (under) expenditures	\$	1,217,050	\$ (400,213) \$	816,837
Other Financing Sources (uses):				
Issuance of long-term debt	\$	-	\$ 500,000 \$	500,000
Total other financing sources (uses)	\$	-	\$ 500,000 \$	500,000
Net change in fund balances	\$	1,217,050		1,316,837
Fund balances at beginning of year		11,099,510	\$ 404,958 \$	11,504,468
Fund balances at end of year	\$	12,316,560	\$ 504,745 \$	12,821,305

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities - Governmental Funds Year Ended June 30, 2016

			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		Ş	1,316,837
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 Depreciation expense	\$ -	792,239 (1,028,987)	(236,748)
Transfer of joint tenancy assets from Primary Government to the Component Unit			(1,811,822)
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.			
Increase (decrease) in deferred inflows related to the measurement of the net	\$	(57,632)	
pension liability	_	373,811	316,179
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	\$	646,000	
Principal retired on capital lease		130,042	
Issuance of long-term debt		(500,000)	
Principal retired on state literary fund loan	_	310,000	586,042
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 pension payments subsequent to the	\$	(43,887) (11,000) 26,497 (95,372)	
measurement date Change in accrued interest payable	_	21,602 15,226	(86,934)
Change in net position of governmental activities		Ç	83,554

Statement of Fiduciary Net Position --Fiduciary Funds At June 30, 2016

		Agency Funds
ASSETS Cash and cash equivalents Accounts receivable	\$	35,250 2,043
Total assets	\$.	37,293
LIABILITIES Amounts held for others	\$.	37,293
Total liabilities	\$.	37,293

#### Notes to Financial Statements At June 30, 2016

#### 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 (government 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, 2016 (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, 2016.

<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 of the County financial statements for the fiscal year ended June 30, 2016.

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

#### B. <u>Individual Component Unit Disclosures (Continued)</u>

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

**Included in the County's Financial Statements:** 

<u>Madison County Parks and Recreation Authority</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 and the County provides fiscal services to the Authority. The Authority does not issue separate financial statements and is included as a department of the general fund in the County's financial statements.

#### D. 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.

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

#### E. 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.

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.

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

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

#### 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.

#### 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, 2016.

#### 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.

#### F. Budgets and Budgetary Accounting

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

- 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.

Notes to Financial Statements At June 30, 2016 (Continued)

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

#### F. Budgets and Budgetary Accounting (Continued)

- 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.
- 9. Expenditures exceeded appropriations for CSA by \$4,553 for the year ended June 30, 2016.

#### G. 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.

#### H. 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.

#### I. 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 \$431,222 at June 30, 2016 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.

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

#### J. 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.

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

#### K. 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.

#### L. 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.

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

#### M. 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.

#### N. 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.

<u>Assigned fund balance</u> - 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.

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

#### N. Fund Balances (Continued)

## Financial Policies (Continued)

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.

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	\$	-	\$	-	\$	68,006
Inventory	_	-		-		23,225
Total Nonspendable	\$_	-	\$_	-	Ş	91,231
Restricted:	_				- '	
School Lottery Funds	\$	-	\$	-	\$	1,894
Asset Forfeitures		71,324		-		-
Unspent bond proceeds - school projects		-		108,195		-
Toppings Funds		76,478		-		-
Animal donations		5,104		-		-
School Textbook Funds	_	-		-	<b>-</b>	49,448
Total Restricted	\$_	152,906	\$_	108,195	\$	51,342
Committed:						
Capital Projects	\$	-	\$	396,550	\$	34,171
Encumbrances		49,082		-		-
Micro Enterprise		32,781		-		-
School Operations		-		-		2,000
Cafeteria	_	-		-		266,841
Total Committed	\$_	81,863	\$_	396,550	\$	303,012
Assigned:						
Tourism	\$	163,225	\$	-	\$	-
Parks and Recreation Authority		60,475		-		-
Sheriff		15,598		-		-
Total Assigned	\$	239,298	\$_	-	\$	
Unassigned	\$	11,842,493	\$	-	\$	(68,006)
Total Fund Balance	\$_	12,316,560	\$_	504,745	\$	377,579

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

#### O. 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.

#### P. 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.

#### Q. 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. 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.

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

#### R. 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.

#### <u>Investments</u>

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, 2016 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			
	AAAm			
\$	75,947			
	1,012,391			
\$	1,088,338			

Notes to Financial Statements At June 30, 2016 (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 Local Government Investment Pool	\$ 75,947 \$ 1,012,391	- \$ 	75,947 
Total	\$ 1,088,338 \$	1,012,391 \$	75,947

#### Note 3 - Due From Other Governmental Units:

	Primary		Component Unit
	Government	_	School Board
Commonwealth of Virginia:			
Local sales tax	\$ 182,298	\$	-
Public assistance and welfare administration	52,635		-
State sales tax	-		380,559
Comprehensive services	422,746		-
Communications tax	91,802		-
Shared expenses	109,769		-
Fire program	41,452		-
Department of Justice	81,244		-
Other state funds	29,575		-
Federal Government:			
School funds	-		190,526
Public safety	4,362		-
Public assistance and welfare administration	70,478		<u>-</u>
Totals	\$ 1,086,361	\$	571,085

## Note 4 - Capital Assets:

The following is a summary of capital assets for the fiscal year ended June 30, 2016:

	_	Balance July 1, 2015		Additions	Deletions	Balance June 30, 2016
Primary Government: Capital assets not being depreciated: Land Construction in progress-Jointly Owned Construction in progress	\$	1,419,418 11,128,519 3,221	\$	- \$ 391,805 53,985	- \$ 11,520,324 -	1,419,418 - 57,206
Total capital assets not being depreciated	\$_	12,551,158	\$_	445,790 \$	11,520,324 \$	1,476,624
Capital assets being depreciated: Buildings and improvements Equipment (including vehicles) Jointly owned assets	\$	17,234,401 3,322,040 1,860,000	\$	- \$ 346,449 11,520,324	- \$ 678,910 1,946,736	17,234,401 2,989,579 11,433,588
Total capital assets being depreciated	\$_	22,416,441	\$_	11,866,773 \$	2,625,646 \$	31,657,568
Less accumulated depreciation: Buildings and improvements Equipment (including vehicles) Jointly owned assets	\$_	(4,387,923) (2,440,760) (697,499)		(492,443) \$ (250,704) (285,840)	- \$ (678,910) (134,914)	(4,880,366) (2,012,554) (848,425)
Total accumulated depreciation	\$_	(7,526,182)	\$	(1,028,987) \$	(813,824) \$	(7,741,345)
Net capital assets being depreciated	\$_	14,890,259	\$	10,837,786 \$	1,811,822 \$	23,916,223
Net capital assets	\$_	27,441,417	\$_	11,283,576 \$	13,332,146 \$	25,392,847
		Balance July 1, 2015	_	Additions	Deletions	Balance June 30, 2016
Component Unit - School Board: Capital assets not being depreciated: Land Construction in progress	\$_	109,803 843,704	\$	- \$ 12	- \$ 843,716	109,803
Total capital assets not being depreciated	\$_	953,507	\$_	12 \$	843,716 \$	109,803
Capital assets being depreciated: Buildings and improvements Equipment (including vehicles) Jointly owned assets	\$	4,911,671 4,415,224 6,680,889	\$	843,716 \$ 556,605 1,946,736	- \$ 463,190 -	5,755,387 4,508,639 8,627,625
Total capital assets being depreciated	\$_	16,007,784	\$_	3,347,057 \$	463,190 \$	18,891,651
Less accumulated depreciation: Buildings and improvements Jointly owned assets Equipment (including vehicles)	\$	(4,803,246) (2,129,654) (3,340,782)		(615,939) \$ (134,914) (384,521)	- \$ - (333,651)	(5,419,185) (2,264,568) (3,391,652)
Total accumulated depreciation	\$_	(10,273,682)	\$_	(1,135,374) \$	(333,651) \$	(11,075,405)
Net capital assets being depreciated	\$_	5,734,102	\$	2,211,683 \$	129,539 \$	7,816,246
Net capital assets	\$	6,687,609	\$	2,211,695 \$	973,255 \$	7,926,049

## Note 4 - Capital Assets: (Continued)

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	\$	43,736
Judicial administration		338,769
Public safety		232,904
Public works		35,668
Health and welfare		14,025
Education		285,840
Parks, recreation and cultural	_	78,045
Total	\$_	1,028,987
Component Unit School Board	\$	1,137,374
Depreciation Expense	\$	1,000,460
Joint tenancy transfer of accumulated depreciation	_	134,914
Total additions to accumulated depreciation, previous page	\$_	1,135,374

#### 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	\$_	460,736
Component Unit School Board	\$_	399,486

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

Fund	 Due from		Due to
General	\$ 478,313	\$	-
School Board	-	_	478,313
Total	\$ 478,313	\$	478,313

#### 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.

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.			

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

RETIREMENT PLAN PROVISIONS (CONTINUED)				
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN		
Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	Hybrid Opt-In Election (Cont.) 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.	*Non-Eligible Members (Cont.) 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) of ORP.		
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 will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.	Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.		

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

RETIREMENT PLAN PROVISIONS (CONTINUED)					
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN			
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.			

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
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.	Distribution is not required by law until age 70½.  Calculating the Benefit  Defined Benefit Component: See definition under Plan 1.

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. <u>Defined Contribution Component:</u> Not applicable.						

RETIREMENT PLAN PROVISIONS (CONTINUED)								
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN						
Normal Retirement Age VRS: Age 65.  Political subdivisions hazardous	Normal Retirement Age VRS: Normal Social Security retirement age.	Normal Retirement Age <u>Defined Benefit Component:</u> VRS: Same as Plan 2.						
duty employees: Age 60.	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.						
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.						

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 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.	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.					

RETIREMENT PLAN PROVISIONS (CONTINUED)									
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN							
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.							

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.	<ul> <li>Purchase of Prior Service         <u>Defined Benefit Component:</u> </li> <li>Same as Plan 1, with the following exceptions:         <ul> <li>Hybrid Retirement Plan members are ineligible for ported service.</li> </ul> </li> <li>The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.</li> <li>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.</li> </ul> <li><u>Defined Contribution Component:</u> <ul> <li>Not applicable.</li> </ul> </li>						

Notes to Financial Statements At June 30, 2016 (Continued)

# Note 7 - Pension Plan: (Continued)

# Plan Description (Continued)

The System issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the most recent report may be obtained from the VRS website at <a href="http://www.varetire.org/Pdf/Publications/2015-annual-report-pdf">http://www.varetire.org/Pdf/Publications/2015-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, 2014 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	48	31
Inactive members:		
Vested inactive members	12	13
Non-vested inactive members	31	16
Inactive members active elsewhere in VRS	40	15
Total inactive members	83	44
Active members	92	49
Total covered employees	223	124

#### **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, 2016 was 11.65% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

Notes to Financial Statements At June 30, 2016 (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 \$493,214 and \$471,612 for the years ended June 30, 2016 and June 30, 2015, respectively.

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2016 was 4.85% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2014.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by 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 \$35,470 and \$34,316 for the years ended June 30, 2016 and June 30, 2015, 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, 2015. The total pension liabilities used to calculate the net pension liability/asset were determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

# 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, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Inflation 2.5%

Salary increases, including inflation 3.5% - 5.35%

Investment rate of return 7.0%, net of pension plan investment

expense, including inflation\*

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, 2016 (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, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

### Largest 10 - Non-LEOS:

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

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

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

### Actuarial Assumptions - Public Safety Employees

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

Inflation 2.5%

Salary increases, including inflation 3.5% - 4.75%

Investment rate of return 7.0%, net of pension plan investment

expense, including inflation\*

<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, 2016 (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, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

### Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

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

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

# 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%.

### 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		Plan		Net		
		Pension		Fiduciary		Pension		
		Liability		Net Position		Liability		
		(a)	_	(b)	_	(a) - (b)		
Balances at June 30, 2014	\$_	15,188,661	\$_	14,365,484	\$_	823,177		
Changes for the year:								
Service cost	\$	541,394	\$	-	\$	541,394		
Interest		1,037,311		-		1,037,311		
Differences between expected								
and actual experience		(156,191)		-		(156,191)		
Contributions - employer		-		471,484		(471,484)		
Contributions - employee		-		201,091		(201,091)		
Net investment income		-		663,732		(663,732)		
Benefit payments, including refunds								
of employee contributions		(739,879)		(739,879)		-		
Administrative expenses		-		(9,028)		9,028		
Other changes		-	_	(137)		137		
Net changes	\$_	682,635	\$_	587,263	\$_	95,372		
Balances at June 30, 2015	\$	15,871,296	\$_	14,952,747	\$_	918,549		

Note 7 - Pension Plan: (Continued)

Changes in Net Pension Liability (Asset) (Continued)

	Component School Board (nonprofessional)						
		Increase (Decrease)					
		Total		Plan		Net	
		Pension		Fiduciary		Pension	
		Liability		Net Position		Liability (asset)	
		(a)	_	(b)		(a) - (b)	
Balances at June 30, 2014	\$	3,337,981	\$_	3,733,058	\$	(395,077)	
Changes for the year:							
Service cost	\$	74,089	\$	-	\$	74,089	
Interest		226,502		-		226,502	
Differences between expected							
and actual experience		(103,073)		-		(103,073)	
Contributions - employer		-		33,962		(33,962)	
Contributions - employee		-		35,046		(35,046)	
Net investment income		-		167,887		(167,887)	
Benefit payments, including refunds							
of employee contributions		(204,473)		(204,473)		-	
Administrative expenses		-		(2,399)		2,399	
Other changes		-	_	(38)		38	
Net changes	\$	(6,955)	\$	29,985	\$	(36,940)	
Balances at June 30, 2015	\$	3,331,026	\$	3,763,043	\$	(432,017)	

### 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)	\$	2,995,322 \$	918,549 \$	(800,960)
Component Unit School Board (nonprofessional) Net Pension Liability (Asset)	\$	(32,544) \$	(432,017) \$	(766,628)

# 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, 2016, the County and Component Unit School Board (nonprofessional) recognized pension expense of \$193,173 and (\$64,887), respectively. At June 30, 2016, 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:

	Primary Government		Component L Board (nonpr	
	Deferred	Deferred	Deferred	Deferred
	Outflows of	Inflows of	Outflows of	Inflows of
	Resources	Resources	Resources	Resources
Differences between expected and actual experience	\$ - \$	116,244 \$	- \$	66,129
Change in assumptions	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	384,800	-	101,654
Employer contributions subsequent to the measurement date	493,214	<u>-</u>	35,470	
Total	\$ 493,214 \$	501,044 \$	35,470 \$	167,783

\$493,214 and \$35,470 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

				Component Unit
		Primary		School Board
Year ended June 30	_	Government	_	(nonprofessional)
2017	\$	(190,826)	\$	(76,736)
2018		(190,826)		(68,977)
2019		(187,228)		(39,790)
2020		67,836		17,720
Thereafter		-		-

Notes to Financial Statements At June 30, 2016 (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 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.

Each School Division's contractually required contribution rate for the year ended June 30, 2016 was 14.06% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013 adjustment for the transfer in June 2015 of \$192,884,000 and an additional 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, 2016. Contributions to the pension plan from the School Board were \$1,315,902 and \$1,400,831 for the years ended June 30, 2016 and June 30, 2015, respectively.

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

At June 30, 2016, the school division reported a liability of \$16,260,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2015 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2015 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2015, the school division's proportion was .12919% as compared to .13142% at June 30, 2014.

# 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, 2016, the school division recognized pension expense of \$1,060,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

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

	Deferred Outflows of Resources	 Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 224,000
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	996,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	506,000
Employer contributions subsequent to the measurement date	1,315,902	
Total	\$ 1,315,902	\$ 1,726,000

\$1,315,902 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	_	
2017	\$	(572,000)
2018		(572,000)
2019		(572,000)
2020		39,000
Thereafter		(49,000)

Notes to Financial Statements At June 30, 2016 (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, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Inflation 2.5%

Salary increases, including inflation 3.5% - 5.95%

Investment rate of return 7.0%, net of pension plan investment

expense, including inflation\*

# Mortality rates:

### Pre-Retirement:

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

### Post-Retirement:

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

### Post-Disablement:

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

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

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

<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.

# 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:

			Weighted
		Arithmetic	Average
		Long-Term	Long-Term
	Target	Expected	Expected
Asset Class (Strategy)	Allocation	Rate of Return	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, 2016 (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:

		Rate	
	(6.00%)	(7.00%)	 (8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan			
Net Pension Liability (Asset)	\$ 23,794,000 \$	16,260,000	\$ 10,057,000

### Pension Plan Fiduciary Net Position

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

# Note 8 - Long-Term Obligations:

# Primary Government-Long-term Obligations:

# **Changes in Long-Term Obligations:**

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

	_	Balance at July 1, 2015	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2016	Amounts Due Within One Year
Governmental Activities:						
Public Facility Lease Revenue Bond	\$	9,579,000 \$	-	646,000 \$	8,933,000 \$	660,000
Variable Rate Demand Revenue Bond		1,500,000	500,000	-	2,000,000	-
Landfill closure liability		454,750	4,093	30,590	428,253	30,590
State literary fund loan		1,860,000	-	310,000	1,550,000	310,000
Capital leases		403,887	-	130,042	273,845	133,170
Net OPEB obligation		98,240	40,000	29,000	109,240	-
Net pension liability		823,177	1,587,870	1,492,498	918,549	-
Compensated absences	_	416,849	85,572	41,685	460,736	46,074
Total governmental activities	\$_	15,135,903 \$	2,217,535 \$	2,679,815 \$	14,673,623 \$	1,179,834

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

			VACO/VML		VACO/	VML		
Year	State Lite	erary -	Public Facility Lease		Variable Rat	e Demand		
Ending	Fund L	.oan	Revenue	Bond	Revenue	Bond	Capital L	eases
June 30,	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	310,000 \$	46,500 \$	660,000	\$ \$	- \$	32,363 \$	133,170 \$	6,257
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		<u> </u>	-				<u>-</u> .	-
Total S	1,550,000 \$	139,500 \$	8,933,000 \$	1,105,005 \$	2,000,000 \$	189,289 \$	273,845 \$	9,871

# 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%	\$ 1,550,000	\$ 310,000
VACO/VML Public Facility Lease Revenue Bond:		
\$10,762,500 loan issued January 25, 2013 due in varying installments through November 2027. Interest is payable annually at 2.15%.	\$ 8,933,000	\$ 660,000
VACO/VML Variable Rate Demand Revenue Bond:		
\$2,500,000 loan issued April 3, 2014 due in varying installments through July 2029. Interest is payable annually at the Bank's Prime Rate plus 1.5%. The amount drawn on the loan at June 30, 2016 was \$2,000,000.	\$ 2,000,000	\$ <u>-</u>
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.	\$ 188,122	\$ 76,282
\$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.	85,723	 56,888
Total Capital Leases	\$ 273,845	\$ 133,170
Landfill closure liability	\$ 428,253	\$ 30,590
Net OPEB obligation	\$ 109,240	\$ 
Net pension liability	\$ 918,549	\$ 
Compensated absences	\$ 460,736	\$ 46,074
Total	\$ 14,673,623	\$ 1,179,834

# 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, 2016:

	_	Balance at July 1, 2015	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2016	Amounts Due Within One Year
Compensated absences Capital leases Net pension liability Net OPEB obligation	\$	388,163 \$ 144,579 15,882,000 203,760	50,139 \$ 42,888 3,740,000 95,000	38,816 \$ 61,378 3,362,000 84,000	399,486 \$ 126,089 16,260,000 214,760	39,949 62,028 - -
Total Component Unit	\$	16,618,502 \$	3,928,027 \$		17,000,335 \$	101,977

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

Year Ending	Year Ending			.eases		
June 30,	_	Principal		Interest		
2017	\$	62,028	\$	4,149		
2018		64,061		2,115		
Total	\$	126,089	\$	6,264		

Details of long-term obligations are as follows:

		Amount Outstanding
<u>Capital Leases:</u>		
\$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.	\$_	97,570
\$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.	_	28,519
Total Capital Leases	\$_	126,089
Compensated absences	\$_	399,486
Net pension liability	\$_	16,260,000
Net OPEB obligation	\$_	214,760
Total long-term obligations	\$_	17,000,335

Notes to Financial Statements At June 30, 2016 (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.

		Government-wide Statements		Balance Sheet
	_	Governmental	_	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.	\$	-	\$	881,649
2nd half assessments due after June 30th		5,533,050		5,533,050
Prepaid property tax revenues representing collections received for property taxes that are applicable to the				
subsequent budget year.	_	166,753	_	166,753
Total governmental activities	\$ <u></u>	5,699,803	\$	6,581,452

### 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.

# Note 11 - Surety Bonds:

	_	Amount
Virginia Department of Risk Management - Surety		_
Stephanie Murray, Treasurer	\$	400,000
Linda Parrish, 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 \$428,253 reported as landfill closure and postclosure care liability at June 30, 2016, 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 2016. 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.

# Note 14 - Other Postemployment Benefits - Health Insurance:

### County:

### A. Plan Description:

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 retire with 30 years of service, or at age 62 with 5 years of service are eligible. 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 Interest on net OPEB obligation Adjustment to annual required contribution	\$ 40,000 4,000 (4,000)
Annual OPEB cost (expense) Contribution made	\$ 40,000 29,000
Increase in net OPEB obligation Net OPEB obligation-beginning of year	\$ 11,000 98,240
Net OPEB obligation-end of year	\$ 109,240

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the two preceding year is as follows:

	Annual	of Annual		Net
Fiscal	OPEB	<b>OPEB Cost</b>		OPEB
Year Ended	Cost	Contributed		Obligation
June 30, 2014	\$ 45,000	69%	\$	89,240
June 30, 2015	39,000	<b>77</b> %		98,240
June 30, 2016	40,000	<b>73</b> %		109,240

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

### County: (Continued)

### D. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2014 the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$ 477,000
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability	\$ 477,000
Funded ratio (actuarial value of plan assets / AAL)	0%
Covered payroll (active plan members)	\$ 3,845,864
UAAL as a percentage of covered payroll	12.40%

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).

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

### County: (Continued)

# E. <u>Actuarial Methods and Assumptions (Continued)</u>

### **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 8 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, 2014, 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	\$ 95,000
Interest on net OPEB obligation	8,000
Adjustment to annual required contribution	 (8,000)
Annual OPEB cost (expense)	\$ 95,000
Contribution made	 84,000
Increase in net OPEB obligation	\$ 11,000
Net OPEB obligation-beginning of year	203,760
Net OPEB obligation-end of year	\$ 214,760

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

		Percentage								
		Annual		of Annual		Net				
Fiscal		OPEB		<b>OPEB Cost</b>		OPEB				
Year Ended	_	Cost		Contributed	_	Obligation				
June 30, 2014	\$	105,000		80%	\$	181,760				
June 30, 2015		91,000		76%		203,760				
June 30, 2016		95,000		88%		214,760				

### D. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2014 the most recent actuarial valuation date is as follows:

Actuarial accrued liability (AAL)	1,057,000
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	1,057,000
Funded ratio (actuarial value of plan assets / AAL)	0%
Covered payroll (active plan members)	10,368,448
UAAL as a percentage of covered payroll	10.19%

# 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 8.00 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, 2014, was thirty years.

	Unfunded
Discount rate	4.0%
Payroll growth	3.75%

# 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 2016 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 2016, the County's contribution of \$2,052 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 2016 and the two preceding years are as follows:

	Fiscal Year Ending	Annual OPEB Cost (ARC)	Percentage of ARC Contributed	Net OPEB Obligation
•	June 30, 2014	\$ 1,328	100%	\$ -
	June 30, 2015	4,881	100%	-
	June 30, 2016	2.052	100%	_

### 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, 2015, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$ 44,575
Actuarial value of plan assets	\$ 57,448
Unfunded actuarial accrued liability	\$ (12,873)
Funded ratio (actuarial value of plan assets / AAL)	128.88%
Covered payroll (active plan members)	\$ 1,666,132
UAAL as a percentage of covered payroll	-0.77%

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, 2015 was 19-28 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.

### 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 1.06% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2016, 2015, and 2014 were \$100,176, \$102,406, and \$106,982, respectively and equaled the required contributions for each year.

# Note 16 - Litigation:

At June 30, 2016 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 - Adoption of Accounting Principles:

### Governmental Accounting Standards Board Statement No. 72, Fair Value Measurement and Application

The County implemented the provisions of the above Statement during the fiscal year ended June 30, 2016. The Statement generally requires investments to be measured at fair value. The Statement requires the County to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or an income approach. The Statement establishes a hierarchy of inputs used to measure fair value. There was no material impact on the County's financial statement as a result of the implementation of Statement No. 72. All required disclosures are located in Note 18.

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

The County implemented the provisions of the above Statement during the fiscal year ended June 30, 2016. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. There was no material impact on the County's financial statement as a result of the implementation of Statement No. 79. All required disclosures are located in Note 2.

# Note 17 - Adoption of Accounting Principles: (Continued)

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

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

### Note 18 - 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.

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

				Fair Value Measurements Using						
			,	Quoted Prices in	Significant					
Investment		6/30/2016		Active Markets or Identical Assets (Level 1)	(	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)			
U.S. Government Securities	\$	75,947	\$	75,947	\$	\$	-			
	\$_	75,947	\$	75,947	\$	<u> </u>				

# Note 19 - Upcoming Pronouncements:

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

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

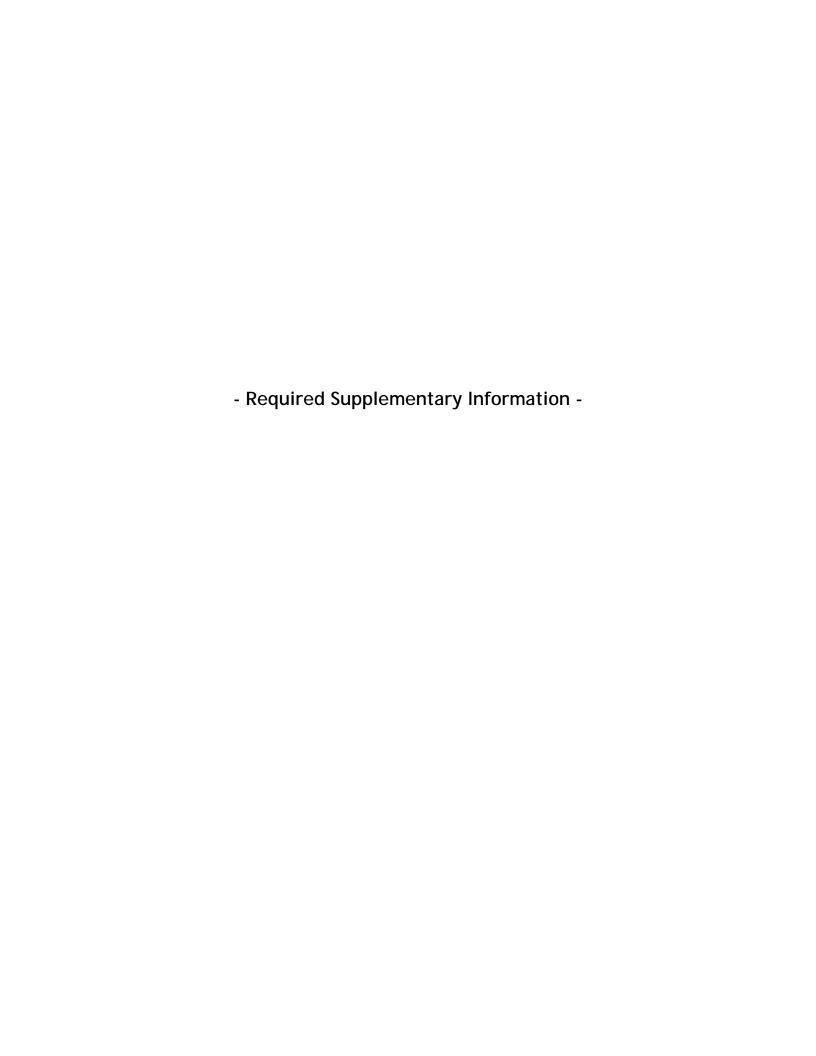
Statement No. 77, Tax Abatement Disclosures, will increase the disclosure of tax abatement agreements to disclose information about the agreements. The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015.

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

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

Statement No. 81, *Irrevocable Split-Interest Agreements*, improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively.

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



Schedule of Revenues, Expenditures and Changes in Fund Balances -Budget and Actual -- General Fund Year Ended June 30, 2016

December	_	Original Budget		Budget As Amended	Actual	Variance With Amended Budget Positive (Negative)
Revenues: General property taxes	\$	14,821,305 \$		14,821,305	14,939,437 \$	118,132
Other local taxes	Ş	2,409,220	)	2,409,220	2,598,050	188,830
Permits, privilege fees and regulatory licenses		236,499		236,499	212,473	(24,026)
Fines and forfeitures		189,681		189,681	170,894	(18,787)
Revenue from use of money and property		128,792		128,792	115,497	(13,295)
Charges for services		611,435		631,109	647,431	16,322
Miscellaneous		220,185		320,014	386,279	66,265
Intergovernmental:		,		,	,	•
Commonwealth		5,560,016		6,256,113	6,007,308	(248,805)
Federal	_	985,242		1,118,842	1,030,244	(88,598)
Total revenues	\$_	25,162,375 \$	<u> </u>	26,111,575	26,107,613	(3,962)
Expenditures:						
Current:						
General government administration	\$	1,389,865 \$	5	1,418,779		,
Judicial administration		850,860		871,251	848,738	22,513
Public safety		5,862,326		6,051,833	5,506,166	545,667
Public works		1,042,510		1,050,007	950,854	99,153
Health and welfare		4,808,102		5,900,513	5,582,522	317,991
Education		8,371,408		8,489,280	8,276,550	212,730
Parks, recreation, and cultural		432,786		550,286	476,491	73,795
Community development		622,200 512,641		622,200 65,000	535,745 1,116	86,455 63,884
Nondepartmental Debt service:		312,041		65,000	1,110	03,004
Principal retirement		1,086,043		1,086,043	1,086,042	1
Interest and other fiscal charges		308,634		308,634	297,873	10,761
-	-				· · · · · · · · · · · · · · · · · · ·	
Total expenditures	\$_	25,287,375 \$	<u> </u>	26,413,826	24,890,563	1,523,263
Excess (deficiency) of revenues over						
(under) expenditures	\$_	(125,000) \$	<u> </u>	(302,251)	1,217,050	1,519,301
Other Financing Sources (uses):						
Transfers in	\$_	25,000 \$	<u> </u>	25,000	s\$	(25,000)
Total other financing sources (uses)	\$	25,000 \$	<u> </u>	25,000	- \$	(25,000)
Net change in fund balances	\$	(100,000) \$	5	(277,251) \$	1,217,050 \$	1,494,301
Fund balances at beginning of year	_	100,000		277,251	11,099,510	10,822,259
Fund balances at end of year	\$_	<u>-</u> \$	;		12,316,560	12,316,560

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

Year Ended June 30, 2016

		2014	_	2015
Total pension liability			_	_
Service cost	\$	541,330	\$	541,394
Interest		977,153		1,037,311
Differences between expected and actual experience		- (EZO 202)		(156,191)
Benefit payments, including refunds of employee contributions	_	(578,303)	_	(739,879)
Net change in total pension liability	\$	940,180	\$	682,635
Total pension liability - beginning	_	14,248,481	_	15,188,661
Total pension liability - ending (a)	\$_	15,188,661	\$ <u>-</u>	15,871,296
Plan fiduciary net position				
Contributions - employer	\$	506,793	\$	471,484
Contributions - employee	·	198,721		201,091
Net investment income		1,957,999		663,732
Benefit payments, including refunds of employee contributions		(578,303)		(739,879)
Administrative expense		(10,342)		(9,028)
Other		103		(137)
Net change in plan fiduciary net position	\$	2,074,971	\$	587,263
Plan fiduciary net position - beginning		12,290,513		14,365,484
Plan fiduciary net position - ending (b)	\$	14,365,484	\$	14,952,747
County's net pension liability - ending (a) - (b)	\$	823,177	\$	918,549
Plan fiduciary net position as a percentage of the total pension liability		94.58%		94.21%
pension hability		74.50%		77.21/0
Covered payroll	\$	3,980,282	\$	4,048,172
County's net pension liability as a percentage of				
covered payroll		20.68%		22.69%

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 Components of and Changes in Net Pension Liability (Asset) and Related Ratios Component Unit School Board (nonprofessional) Year Ended June 30, 2016

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

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 Year Ended June 30, 2016\*

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

<sup>\*</sup> The amounts presented have a measurement date of the previous fiscal year end.

Date		Contractually 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	over	nment							
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%
2007		186,432		186,432		-		3,323,206	5.61%
Componen	t Un	it School Boar	d (	nonprofessional)	)				
2016	\$	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%
2007		20,795		20,795		-		675,154	3.08%
Componen	t Un	it School Boar	d (	professional)					
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, 2016

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

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

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

#### Largest 10 - Non-LEOS:

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

#### Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

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

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

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

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

#### Component Unit School Board - Professional Employees

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

		County	VRS Health Insurance	Credit:		
Actuarial Valuation as of (1)	Actuarial Value of Assets (AVA) (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded	Funded Ratio Assets at % of AAL (2) (3) (5)	Annual Covered Payroll (6)	UAAL as % of Covered Payroll (4)/(6) (7)
6/30/15 \$ 6/30/14 6/30/13	57,448 \$ 55,853 50,206	44,575 \$ 45,830 47,475	(12,873) (10,023) (2,731)	128.88% \$ 121.87% 105.75%	1,666,132 1,678,036 1,574,206	-0.77% -0.60% -0.17%
		Othe	r Post Employment Be	nefits		
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)
7/1/14 \$ 7/1/12 7/1/10	- \$ - -	477,000 \$ 501,000 461,000	477,000 501,000 461,000	0.00% \$ 0.00% 0.00%	3,845,864 3,361,337 3,836,000	12.40% 14.90% 12.02%
Discretely Pres	sented Componen	t Unit - School Bo	oard			
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)
7/1/2014 \$ 7/1/2012 7/1/2010	- \$ - -	1,057,000 \$ 1,172,000 794,000	1,057,000 1,172,000 794,000	0.00% \$ 0.00% 0.00%	10,368,448 11,572,663 7,176,000	10.19% 10.13% 11.06%

- 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, 2016

	_	Budgete	d A	Amounts	•			Variance with Final Budget -
	_	Original		Final		Actual Amounts	_	Positive (Negative)
EXPENDITURES	_							
Education	\$	13	\$	13	\$	-	\$	13
Capital projects	_	1,499,987	_	1,499,987	_	400,213		1,099,774
Total expenditures	\$	1,500,000	\$	1,500,000	\$	400,213	\$	1,099,787
Excess (deficiency) of revenues over (under) expenditures	\$	(1,500,000)	\$	(1,500,000)	\$	(400,213)	\$	1,099,787
(under) expenditures	٠-	(1,300,000)	. ~ -	(1,300,000)	٠ ٠	(100,213)	٠,	1,077,707
OTHER FINANCING SOURCES (USES)								
Issuance of long-term debt	\$_	1,500,000	\$	1,500,000	\$	500,000	\$	(1,000,000)
Total other financing sources (uses)	\$_	1,500,000	\$	1,500,000	\$	500,000	\$	(1,000,000)
Net change in fund balances	\$	-	\$	-	\$	99,787	\$	99,787
Fund balances at beginning of year	_	-		-		404,958		404,958
Fund balances at end of year	\$	-	\$	-	\$	504,745	\$	504,745

# Statement of Changes in Assets and Liabilities - Agency Funds Year Ended June 30, 2016

Special Welfare Fund:	_	Balance Beginning of Year	_	Additions	 Deletions	_	Balance End of Year
Assets: Cash and cash equivalents Accounts receivable	\$_	37,748	\$_	43,634 2,043	\$ 46,132	\$ _	35,250 2,043
Total assets	\$_	37,748	\$_	45,677	\$ 46,132	\$_	37,293
Liabilities: Amounts held for others	\$_	37,748	\$_	45,677	\$ 46,132	\$_	37,293
Total liabilities	\$_	37,748	\$_	45,677	\$ 46,132	\$_	37,293

Combining Balance Sheet - Discretely Presented Component Unit - School Board At June 30, 2016

	_	School Operating Fund	_	School Cafeteria Fund	_	School Capital Fund		Nonmajor Funds		Total
ASSETS										
Cash and cash equivalents Accounts receivable Due from other governmental units	\$	1,773,501 424 571,085	\$	312,108	\$	34,171 -	\$	51,342 -	\$	2,171,122 424 571,085
Due from Primary Government Prepaid expenditures		68,006		- - -		- - -		-		68,006
Inventory	-	-	-	23,225	_			-		23,225
Total assets	\$ <u>_</u>	2,413,016	\$_	335,333	\$	34,171	\$	51,342	\$	2,833,862
LIABILITIES										
Accounts payable Accrued liabilities Due to Primary Government	\$	161,202 1,771,501 478,313	\$	- 45,267 -	\$	- - -	\$	- - -	\$	161,202 1,816,768 478,313
Total liabilities	\$_	2,411,016	\$_	45,267	\$		\$	-	\$	2,456,283
					_					
FUND BALANCES Nonspendable Restricted	\$	68,006	\$	23,225	\$	- - 24.474	\$	- 51,342	\$	91,231 51,342
Committed Unassigned		2,000 (68,006)		266,841		34,171		-		303,012 (68,006)
Total fund balances	\$	2,000	\$	290,066	- _ \$	34,171	\$	51,342	\$	377,579
Total liabilities and fund balances	\$ <u>_</u>	2,413,016	\$_	335,333	\$	34,171	\$	51,342	=	
Detailed explanation of adjustments from fund statemer	its to	o government	-wi	de statement	of	net position:				
When capital assets (land, buildings, equipment) that purchased or constructed, the costs of those assets are However, the statement of net position includes those cas a whole.	rep	oorted as exp	enc	ditures in gov	erı	nmental funds.				7,926,049
The net pension asset is not an available resource and, t	here	efore. is not re	epo	rted in the fu	ınd	ls.				432,017
Items related to measurement of net pension liabili										
expenditures										(1,893,783)
Pension contributions subsequent to the measurement pension liability/asset in the next fiscal year and, therefore						ase in the net	:			1,351,372
Long-term liabilities applicable to the School Board's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilitiesboth current and long-termare reported in the statement of net position.										
tong term are reported in the statement of het position	•								_	(17,000,335)
Net position of General Government Activities \$\frac{(8,807,101)}{}										

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

	_	School Operating Fund	School Cafeteria Fund		School Capital Fund	_	Nonmajor Funds	_	Total
Revenues: Revenue from use of money and property Charges for services Miscellaneous Intergovernmental:	\$	8,460 \$ 15,050 666,713	- 305,927 -	\$	10 - -	\$	13 - 10,402	\$	8,483 320,977 677,115
County contribution to School Board Commonwealth Federal	_	8,273,550 9,105,924 900,938	20,774 502,951		- - -	_	- - -	_	8,273,550 9,126,698 1,403,889
Total revenues	\$_	18,970,635 \$	829,652	\$	10	\$_	10,415	\$_	19,810,712
Expenditures: Current: Education Capital projects	\$	18,949,345 \$ -	851,923 -	\$	- 13	\$	- -	\$	19,801,268 13
Debt service: Principal Interest and other fiscal charges	_	61,378 1,800				_	-	_	61,378 1,800
Total expenditures	\$_	19,012,523 \$	851,923	\$	13	\$_	-	\$_	19,864,459
Excess (deficiency) of revenues over (under) expenditures	\$_	(41,888) \$	(22,271)	\$_	(3)	\$_	10,415	.\$_	(53,747)
Other financing sources (uses): Issuance of capital lease	\$_	42,888 \$		\$_		\$_		\$_	42,888
Total other financing sources (uses)	\$_	42,888 \$		\$		\$_	-	\$_	42,888
Changes in fund balances	\$	1,000 \$	(22,271)	\$	(3)	\$	10,415	\$	(10,859)
Fund balances at beginning of year	_	1,000	312,337		34,174	_	40,927	_	388,438
Fund balances at end of year	\$_	2,000 \$	290,066	\$	34,171	\$_	51,342	\$	377,579

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, 2016

		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		\$ (10,859)
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	\$ 556,617 (1,000,460)	(443,843)
The net effect of various transactions involving capital assets (i.e. sales, tradeins, and donations) is to decrease net position.		(129,539)
Change in deferred inflows related to the measurement of the net pension liability/asset		1,016,263
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:		
Issuance of capital lease Principal retired on capital lease	\$ (42,888) 61,378	) 18,490
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 pension payments subsequent to the	(11,323) (341,060)	)
measurement date Change in net OPEB obligation	(83,775) (11,000)	
Transfer of joint tenancy assets from Primary Government to the Component Unit		1,811,822
Change in net position of governmental activities		\$ 1,815,176

# COUNTY OF MADISON, VIRGINIA

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

				School C	)per	ating Fund		
Davida	_	Original Budget	_	Budget As Amended		Actual		Variance From Amended Budget Positive (Negative)
Revenues:  Revenue from use of money and property	\$	23,660	Ś	23,660	Ś	8,460	Ś	(15,200)
Charges for services	*	-	τ	-	*	15,050	*	15,050
Miscellaneous Intergovernmental:		747,610		747,610		666,713		(80,897)
County contribution to School Board		8,368,408		8,486,280		8,273,550		(212,730)
Commonwealth		9,405,047		9,702,349		9,105,924		(596,425)
Federal	_	902,822	· ຼ –	902,822	- ू –	900,938	_	(1,884)
Total revenues	\$ <u></u> _	19,447,547	٤_	19,862,721	- <sup>\$</sup> _	18,970,635	٤_	(892,086)
Expenditures: Current: Education Capital projects	\$	19,447,547 -	\$	19,862,721	\$	18,949,345 -	\$	913,376 -
Debt service: Principal		_		_		61,378		(61,378)
Interest and other fiscal charges		_		-		1,800		(1,800)
Total expenditures	\$	19,447,547	\$	19,862,721	\$	19,012,523	\$_	850,198
Excess (deficiency) of revenues over (under) expenditures	\$_	-	\$_	-	\$_	(41,888)	\$_	(41,888)
Other Financing Sources (Uses)								
Issuance of capital lease	\$ <u></u>	-	. \$ _	-	. \$ _	42,888	. \$_	42,888
Changes in fund balances	\$	-	\$	-	\$	1,000	\$	1,000
Fund balances at beginning of year	_	-		-	_	1,000		1,000
Fund balances at end of year	\$_	-	\$_	-	\$_	2,000	\$_	2,000

School Cafeteria Fund									School Capital Fund								
-	Original Budget		Budget As Amended		Actual	Ame Bud Posi	om nded lget	_	Original Budget		Budget As Amended		Actual		Variance From Amended Budget Positive (Negative)		
\$	353,900 38,000	\$	353,900 38,000	\$	305,927 -		- 7,973) 8,000)	\$	- - -	\$	- - -	\$	10 - -	\$	10 - -		
_	20,000 450,000		20,000 450,000		- 20,774 502,951	5	- 774 2,951		13 - -		13 - -		- - -		(13) - -		
\$	861,900	\$	861,900	\$	829,652	\$ (3	2,248)	\$_	13	\$	13	\$_	10	\$_	(3)		
\$	861,900 -	\$	861,900 -	\$	851,923 -	\$	9,977 -	\$	13	\$	- 13	\$	13	\$	- -		
	-		-		-		-		-		-		-		-		
\$	861,900	\$	861,900	\$	851,923	\$	9,977	\$_	13	\$	13	\$	13	\$	-		
\$_		\$_		\$_	(22,271)	\$ (2	2,271)	\$_	-	\$_	-	\$_	(3)	\$_	(3)		
\$_	-	\$_	-	\$_		\$	-	\$_	-	\$_	-	\$_	-	\$_	<u> </u>		
\$	-	\$	-	\$	(22,271)	\$ (2	2,271)	\$	-	\$	-	\$	(3)	\$	(3)		
-	-		-	_	312,337	31	2,337	_	-		-	_	34,174	_	34,174		
\$	-	\$	-	\$_	290,066	\$ <u>29</u>	0,066	\$_	-	\$	-	\$	34,171	\$	34,171		

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

	School Lottery Fund	School Textbook Fund	Total
ASSETS Cash and cash equivalents	\$ 1,894	\$ 49,448 \$	51,342
Total assets	\$ 1,894	49,448 \$	51,342
LIABILITIES AND FUND BALANCES			
Liabilities:	Ċ		
Accounts payable	\$ <del>-</del>	??	
Total liabilities	\$	>	
Fund balances:			
Restricted	\$ 1,894	\$ 49,448 \$	51,342
Total fund balances	\$ 1,894	\$ 49,448 \$	51,342
Total liabilities and fund balances	\$ 1,894	\$ 49,448 \$	51,342

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

DEVENUES	_	School Lottery Fund	School Textbook Fund	Total
REVENUES Revenue from the use of money and property	\$	1 \$	12 \$	13
Miscellaneous		-	10,402	10,402
Total revenues	\$_	1_\$	10,414 \$	10,415
EXPENDITURES				
Current: Education	¢	_ <b>¢</b>	. ¢	_
	٠ -			<u>-</u> _
Total expenditures	\$_	\$	<u> </u>	
Excess (deficiency) of revenues over (under)				
expenditures	\$_	1 \$	10,414 \$	10,415
Net change in fund balances	\$	1 \$	10,414 \$	10,415
Fund balances - beginning	_	1,893	39,034	40,927
Fund balances - ending	\$ <u>_</u>	1,894 \$	49,448 \$	51,342

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, 2016

				Schoo	ol L	ottery F			_		School Te	xtbook Fun	
	·	Budge	un	ts	_	Astual	,	Variance with Final Budget Positive		Budgeted		041	Variance with Final Budget Positive
REVENUES		Original		Final		Actual		(Negative)	-	Original	<u>Final</u>	Actual	(Negative)
Revenue from the use of money and property Miscellaneous	\$	-	\$	-	\$	1	\$	1 -	\$	- \$	- \$	12 \$ 10,402	12 10,402
Total revenues	\$		\$	-	\$	1	\$	1	\$	\$	- \$	10,414 \$	10,414
EXPENDITURES Current:													
Education	\$	-	\$	-	\$	-	\$	-	\$	- \$	- \$	- \$	<u>-</u> _
Total expenditures	\$	-	\$	-	\$	-	\$	-	\$	- \$	- \$	- \$	-
Excess (deficiency) of revenues over (under) expenditures	\$	-	\$	-	\$_	1	\$_	1	\$	\$	\$_	10,414 \$	10,414
Net change in fund balances Fund balances - beginning	\$	-	\$	-	\$	1 1,893	\$	1 1,893	\$	- \$ 	- \$ -	10,414 \$ 39,034	10,414 39,034
Fund balances - ending	\$	-	\$	-	\$	1,894	\$	1,894	\$	- \$	- \$	49,448 \$	49,448

# Statement of Fiduciary Net Position - Fiduciary Fund Discretely Presented Component Unit - School Board At June 30, 2016

	Scholarship Private- Purpose Trust Fund
ASSETS	
Cash and cash equivalents	\$ 102,638
Total assets	\$ 102,638
NET POSITION	
Held in trust for scholarships	\$102,638
Total net position	\$102,638
Total liabilities and net position	\$ 102,638

Statement of Changes in Fiduciary Net Position - Fiduciary Fund Discretely Presented Component Unit - School Board Year Ended June 30, 2016

	_	Scholarship Private- Purpose Trust Fund
Additions:		
Interest income	\$_	13,092
Total additions	\$_	13,092
Deductions:		
Scholarships awarded	\$_	3,842
Total deductions	\$_	3,842
Change in net position	\$	9,250
Net position - beginning of year	_	93,388
Net position - end of year	\$_	102,638

- Other Supplementary Information - Supporting Schedules

Fund, Major and Minor Revenue Source		Original Budget		Budget As Amended	Actual	Variance From Amended Budget Positive (Negative)
Primary Government:						
General Fund:						
Revenue from local sources:						
General property taxes:						
Real property taxes	\$	10,937,612	\$	10,937,612 \$	10,993,960	56,348
Real and personal public service corporation						
property taxes		332,000		332,000	324,131	(7,869)
Personal property taxes		2,920,898		2,920,898	2,978,791	57,893
Mobile home taxes		6,905		6,905	7,407	502
Machinery and tools taxes		64,544		64,544	67,992	3,448
Merchants capital taxes		201,741		201,741	207,523	5,782
Penalties		195,965		195,965	195,656	(309)
Interest		102,192		102,192	96,677	(5,515)
Tax collection fee	_	59,448		59,448	67,300	7,852
Total general property taxes	\$_	14,821,305	\$	14,821,305 \$	14,939,437	118,132
Other local taxes:						
Local sales and use taxes	\$	875,000	\$	875,000 \$	982,248	107,248
Consumers' utility taxes		322,800		322,800	334,021	11,221
Local consumption tax		42,035		42,035	39,526	(2,509)
Restaurant food taxes		351,835		351,835	401,303	49,468
Transient occupancy taxes		151,000		151,000	143,186	(7,814)
Gross receipts taxes		20,780		20,780	18,272	(2,508)
Bank stock taxes		83,399		83,399	82,921	(478)
Motor vehicle licenses		425,198		425,198	447,600	22,402
Taxes on recordation and wills	_	137,173		137,173	148,973	11,800
Total other local taxes	\$_	2,409,220	\$	2,409,220 \$	2,598,050	188,830
Permits, privilege fees and regulatory licenses:						
Animal licenses	\$	10,000	\$	10,000 \$	8,596	(1,404)
Building and related permits		201,011		201,011	183,682	(17,329)
Land transfer fees		488		488	495	7
Land use application fees	_	25,000		25,000	19,700	(5,300)
Total permits, privilege fees and regulatory licenses	\$_	236,499	\$	236,499 \$	212,473	(24,026)
Fines and Forfeitures:						
Court fines and forfeitures	\$	189,681	\$	189,681 \$	170,894	(18,787)
	_					
Total fines and forfeitures	\$_	189,681	<b>\$</b>	189,681 \$	170,894	(18,787)
Revenue from use of money and property:						
Revenue from use of money	\$	45,000	\$	45,000 \$	32,905	(12,095)
Revenue from use of property	_	83,792		83,792	82,592	(1,200)
Total revenue from use of money and property	\$_	128,792	\$	128,792 \$	115,497	(13,295)

Fund, Major and Minor Revenue Source		Original Budget		Budget As Amended	_	Actual	Va	ariance From Amended Budget Positive (Negative)
Primary Government: (Continued)								
General Fund: (Continued)								
Revenue from local sources: (continued)								
Charges for services:								
Sheriff's fees	\$	344	\$	344	\$	344 \$	;	-
Commonwealth attorney fees		1,198		1,198		1,207		9
Courthouse maintenance fees		8,263		8,263		8,393		130
Courtroom security fees		39,212		39,212		40,497		1,285
Other charges for services		14,526		14,526		17,011		2,485
Ambulance transportation fees		320,000		320,000		323,305		3,305
Waste collection and disposal charges		110,000		110,000		116,517		6,517
Recreation fees	_	117,892		137,566	_	140,157		2,591
Total charges for services	\$_	611,435	\$	631,109	\$_	647,431 \$	<u> </u>	16,322
Miscellaneous revenue:								
Expenditure refunds	\$	75,000	\$	102,905	\$	102,907 \$	;	2
CSA		-		76,776		41,289		(35,487)
Performance bonds		-		-		106,618		106,618
Miscellaneous	_	145,185		140,333	_	135,465		(4,868)
Total miscellaneous revenue	\$_	220,185	\$	320,014	\$_	386,279 \$	<u> </u>	66,265
Total revenue from local sources	\$_	18,617,117	\$	18,736,620	\$_	19,070,061 \$	<u> </u>	333,441
Intergovernmental:								
Revenue from the Commonwealth:								
Noncategorical aid:								
Motor vehicle carrier's tax	\$	597	\$	597	\$	244 \$	,	(353)
Rental tax - DMV		1,514		1,514		2,262		748
Mobile home titling taxes		5,656		5,656		11,064		5,408
PPTRA		1,029,053		1,029,053		1,029,053		-
Communication taxes		584,250		584,250		562,023		(22,227)
Recordation tax	_	43,384		43,384	_	39,177		(4,207)
Total noncategorical aid	\$_	1,664,454	\$_	1,664,454	\$_	1,643,823 \$	<u> </u>	(20,631)
Categorical aid:								
Shared expenses:								
Commonwealth's attorney	\$	168,280	\$	168,280	\$	167,332 \$	•	(948)
Sheriff		723,801		723,801		712,916		(10,885)
Commissioner of the Revenue		92,385		92,385		75,969		(16,416)
Treasurer		112,055		112,055		88,734		(23,321)
Registrar/electoral board		36,689		36,689		41,868		5,179
Clerk of the Circuit Court	-	197,337		197,337	_	201,873	_	4,536
Total shared expenses	\$_	1,330,547	\$	1,330,547	\$_	1,288,692 \$	<u> </u>	(41,855)

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	\$	39,280	\$	41,452	\$	41,452	\$	-
Litter Control		7,426		7,426		5,859		(1,567)
Four for life		14,000		14,515		14,515		-
Domestic Violence		33,000		33,000		45,000		12,000
Victim witness		17,000		20,242		21,616		1,374
Department of Juvenile Justice		6,585		6,585		5,014		(1,571)
E-911		41,570		41,570		43,636		2,066
PSAP State 911 grant		-		150,000		148,119		(1,881)
Comprehensive Services Act		1,561,906		2,102,074		2,070,246		(31,828)
Sheriff -asset forfeiture		-		-		11,272		11,272
Public assistance and welfare		737,928		737,928		631,648		(106,280)
Other state grants	_	106,320		106,320	_	36,416	-	(69,904)
Total other categorical aid	\$_	2,565,015	\$	3,261,112	\$_	3,074,793	\$_	(186,319)
Total categorical aid	\$_	3,895,562	\$	4,591,659	\$_	4,363,485	\$_	(228,174)
Total revenue from the Commonwealth	\$_	5,560,016	\$.	6,256,113	\$_	6,007,308	\$_	(248,805)
Revenue from the Federal Government:								
Payments in lieu of taxes	\$_	85,342	\$.	85,342	\$_	92,527	\$_	7,185
Categorical aid:								
Public assistance and welfare	\$	888,701	\$	1,020,643	\$	919,952	\$	(100,691)
Sheriff -asset forfeiture		-		-		3,996		3,996
Justice assistance grant		-		1,658		1,492		(166)
Homeland security grant		-		-		2,448		2,448
Victim Witness		-		-		3,242		3,242
Ground Safety Transportation	_	11,199		11,199	_	6,587	_	(4,612)
Total categorical aid	\$_	899,900	\$.	1,033,500	\$_	937,717	\$_	(95,783)
Total revenue from the Federal Government	\$_	985,242	\$	1,118,842	\$_	1,030,244	\$_	(88,598)
Total General Fund	\$_	25,162,375	\$	26,111,575	\$_	26,107,613	\$	(3,962)

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	\$_	23,660	_\$_	23,660 \$	8,460_\$	(15,200)
Charges for services: Charges for education	\$_	-	\$_	\$_	15,050 \$	15,050
Total charges for services	\$_	-	\$	- \$_	15,050 \$	15,050
Miscellaneous revenue: Rebates and refunds Miscellaneous Total miscellaneous revenue	\$ _	693,370 54,240 747,610	\$	693,370 \$ 54,240 747,610	588,551 \$ 78,162 666,713	(104,819) 23,922 (80,897)
Total revenue from local sources	_			771,270 \$		
Intergovernmental:	<sup>\$</sup> _	771,270	,	771,270 \$	690,223 \$	(81,047)
County contribution to School Board	\$_	8,368,408	\$	8,486,280 \$	8,273,550 \$	(212,730)
Revenue from the Commonwealth: Categorical aid: Share of state sales tax Basic school aid Special ed SOQ Vocational SOQ Remedial education Technology Primary class size Fringe benefits Other state funds	\$	2,119,379 4,478,046 582,297 125,902 125,902 154,000 163,393 821,314 834,814	\$	2,119,379 \$ 4,478,046 582,297 125,902 125,902 154,000 163,393 821,314 1,132,116	2,130,600 \$ 4,259,827 559,859 121,051 121,051 154,000 163,061 789,666 806,809	11,221 (218,219) (22,438) (4,851) (4,851) - (332) (31,648) (325,307)
Total categorical aid	\$_	9,405,047	\$_	9,702,349 \$	9,105,924 \$	
Total revenue from the Commonwealth  Revenue from the federal government:  Categorical aid:	\$_	9,405,047		9,702,349 \$	9,105,924 \$	
Title I Title III Title VI - B Special Education Vocational education Preschool AP grant Other funds Title II	\$	328,326 1,001 467,591 27,912 - - 77,992	\$	328,326 \$ 1,001 467,591 27,912 - 77,992	381,019 \$ 603 385,283 32,736 11,175 492 2,821 86,809	52,693 (398) (82,308) 4,824 11,175 492 2,821 8,817
Total categorical aid	\$_	902,822	\$_	902,822 \$	900,938 \$	(1,884)
Total revenue from the federal government	\$_	902,822	\$_	902,822 \$	900,938 \$	(1,884)
Total School Operating Fund	\$_	19,447,547	\$_	19,862,721 \$	18,970,635 \$	(892,086)

Fund, Major and Minor Revenue Source		Original Budget		Budget As Amended	Actual	Variance From Amended Budget Positive (Negative)
Discretely Presented Component Unit School Board: Special Revenue Funds: School Cafeteria Fund: Revenue from local sources:	(Continued)					
Charges for services: Cafeteria sales	S	353,900	\$	353,900 \$	305,927	5(47,973)
Total charges for services	\$	353,900	-	353,900 \$	305,927	
Miscellaneous revenue:  Miscellaneous	\$	38,000		38,000 \$	- 5	
Total revenue from local sources	\$	391,900		391,900 \$	305,927	
Intergovernmental: Revenue from the Commonwealth: Categorical aid: School food grant	<u> </u>	20,000	\$		20,774	
Revenue from the federal government:  Categorical aid:	· <u> </u>		-	Ψ	,	
School food grant	\$	450,000	-	450,000 \$	502,951	
Total School Cafeteria Fund	\$	861,900	\$_	861,900 \$	829,652	(32,248)
School Lottery Fund: Revenue from local sources: Revenue from use of money and property: Revenue from use of money	\$	-	\$	- \$	1 \$	5 1
Total revenue from use of money and property	\$\$	-	\$	- \$	1	1
Total School Lottery Fund	\$ <u></u>	-	\$	- \$	1 5	1
School Capital Fund: Revenue from local sources: Revenue from use of money and property: Revenue from use of money	<u>-</u> \$	-	\$ \$	 - \$	10 \$	5 10
Total revenue from use of money and property	\$ <u></u>	-	\$	- \$	10	10
Intergovernmental: County contribution to School Board	¢	13	¢	13 \$	_ (	5 (13)
	· -	13	٠ -	13 \$_ 13 \$	10 9	(3)
Total School Capital Fund School Textbook Fund: Revenue from local sources: Revenue from use of money and property:	÷ <u> </u>	13	۶ -	13_\$_		
Revenue from use of money	\$		٠,	<u>-</u> \$_		
Total revenue from use of money and property	\$	-	\$ <u>_</u>		12_\$	512_
Miscellaneous revenue: Miscellaneous	\$		\$_	<u> </u>	10,402	510,402
Total revenue from local sources Total School Textbook Fund	\$ \$	<u>-</u>	\$_ \$	<u>-</u> \$_	10,414 S	
Total Revenues Discretely Presented Component Unit	۰		= ب		10,717	, 10,717
School Board	\$ <u></u>	20,309,460	\$_	20,724,634 \$	19,810,712	(913,922)

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:		<b>10 510</b>		(0.510		(0 ( (0 )	4 070
Board of supervisors	\$	62,519	- <sup>\$</sup> _	62,519	-۶_	60,649 \$	1,870
General and financial administration:							
County administrator	\$	253,169	\$	253,169	\$	234,796 \$	18,373
Legal services		66,838		76,590		76,590	-
Independent Auditor		54,000		64,287		64,287	-
Commissioner of the revenue		208,210		207,368		203,392	3,976
Personal property		9,085		9,085		8,533	552
Data Processing		172,899		172,899		125,746	47,153
Land use		1,475		1,475		1,435	40
Assessor		4,575		5,416		5,416	-
Finance Department		181,380		190,256		190,256	-
Treasurer	_	257,023		257,023	_	252,667	4,356
Total general and financial administration	\$	1,208,654	\$_	1,237,568	\$	1,163,118 \$	74,450
Board of Elections:							
Electoral board and officials	\$	35,700	\$	35,700	\$	29,689 \$	6,011
Registrar	_	82,992	_	82,992		75,010	7,982
Total board of elections	\$_	118,692	\$_	118,692	\$	104,699 \$	13,993
Total general government administration	\$	1,389,865	\$	1,418,779	\$	1,328,466 \$	90,313
Judicial administration:							
Courts:							
Circuit court	\$	29,171	\$	29,171	\$	25,388 \$	3,783
Combined court		12,000		12,000		8,292	3,708
Clerk of the circuit court		292,037		292,037		286,525	5,512
Sheriff - court security		161,606		178,673		178,673	-
Magistrates		500		500		425	75
Rappahannock legal services		2,000		2,000		2,000	-
Victim witness program		23,293		26,536		25,544	992
Commissioner of accounts	_	920		920	- —	720	200
Total courts	\$_	521,527	\$_	541,837	\$_	527,567 \$	14,270
Commonwealth's attorney:							
Commonwealth's attorney	\$	329,333	\$_	329,414	\$	321,171 \$	8,243

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: Sheriff	\$	1,795,108	ċ	1,814,403 \$	1,714,407	ċ	99,996
Public safety	Ş	16,148	۲	17,671	9,241	۶	8,430
E-911 system		849,596		999,596	949,251		50,345
Total law enforcement and traffic control	\$_	2,660,852	\$_	2,831,670 \$	2,672,899	\$	158,771
Fire and rescue services:							
Volunteer fire department	\$	122,000	\$	128,452 \$	128,452	\$	-
Ambulance and rescue service		264,000		264,515	264,515		-
Emergency medical services		1,184,268		1,192,268	1,139,657		52,611
EMS Council	_	7,743		7,743	7,743		-
Total fire and rescue services	\$_	1,578,011	\$_	1,592,978 \$	1,540,367	\$_	52,611
Correction and detention:							
Confinement of prisoners	\$	2,300	\$	2,300 \$	57	\$	2,243
Regional jail		938,195		938,195	660,142		278,053
Jefferson area community corrections		6,523		6,523	6,523		-
Juvenile detention		66,611		66,611	46,328		20,283
Probation office	_	19,729		20,829	15,927	. <u> </u>	4,902
Total correction and detention	۰ -	1,033,358	- <sup>&gt;</sup> –	1,034,458 \$	728,977	۰۶_	305,481
Inspections:	<u>,</u>	244 424	÷	244 424 6	257.072	,	F 350
Building	\$ <u>_</u>	261,431	۰۶_	261,431 \$	256,073		5,358
Total inspections	\$_	261,431	\$_	261,431 \$	256,073	\$_	5,358
Other protection:							
Animal control and shelter facility	\$	268,873	\$	271,326 \$	248,260	\$	23,066
Line of Duty Act		58,201		58,370	58,370		-
Services to abused families  Medical examiner (coroner)		1,000 600		1,000 600	1,000 220		380
, ,	_						
Total public action	-(	328,674		331,296 \$	307,850	_	23,446
Total public safety	\$ <u></u> _	5,862,326	- ۶ –	6,051,833 \$	5,506,166	۰ ۲	545,667
Public works:							
Sanitation and waste removal: County landfill	\$	526,300	\$	526,300 \$	477,625	\$	48,675
Total sanitation and waste removal	\$ <u></u>	526,300	\$	526,300 \$	477,625	\$	48,675
Maintenance of general buildings and grounds:	_					_	_
General properties	\$	516,210	\$	523,707 \$	473,229	\$	50,478
Total maintenance of general buildings and grounds	\$	516,210		523,707 \$	473,229		50,478
Total public works	\$	1,042,510	\$	1,050,007 \$	950,854	\$	99,153

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	<u>-</u>
Total health	\$_	140,412 \$	140,412 \$	140,412	<u>-</u>
Mental health and mental retardation: Chapter X board	\$_	82,144_\$	82,144 \$	76,656_\$	55,488_
Total mental health and mental retardation	\$_	82,144 \$	82,144 \$	76,656	5,488
Welfare: Administration Hospice of the Rapidan Madison free clinic Rapp-Rapidan medical reserve corporation Piedmont regional dental clinic CSA - at risk youth	\$	2,076,046 \$ 3,000 2,500 1,000 3,000 2,500,000	2,207,988 \$ 3,000 2,500 1,000 3,000 3,460,469	1,890,932 \$ 3,000 2,500 1,000 3,000 3,465,022	317,056 - - - - - - (4,553)
Total welfare	\$_	4,585,546 \$	5,677,957 \$	5,365,454	312,503
Total health and welfare	\$_	4,808,102 \$	5,900,513 \$	5,582,522	317,991
Education: Contributions to community colleges Contributions to component unit school board	\$	3,000 \$ 8,368,408	3,000 \$ 8,486,280	3,000 \$ 8,273,550	212,730
Total education	\$_	8,371,408 \$	8,489,280 \$	8,276,550	212,730
Parks, recreation and cultural: Parks and recreation: Parks and recreation Recreation authority	\$	139,341 \$ 173,892	199,341 \$ 231,392	199,620 \$ 157,318	5 (279) 74,074
Total parks and recreation	\$_	313,233 \$	430,733 \$	356,938	73,795
Cultural enrichment: Boys and girls club Senior center Madison county fair	\$	1,000 \$ 525 1,000	1,000 \$ 525 1,000	1,000 \$ 525 1,000	- - -
Total cultural enrichment	\$_	2,525 \$	2,525 \$	2,525	5
Library: County library	\$_	117,028 \$	117,028 \$	117,028 \$	<u> </u>
Total parks, recreation and cultural	\$_	432,786 \$	550,286 \$	476,491	73,795

Fund, Function, Activities and Elements		Original Budget		Budget As Amended	Actual	Variance From Amended Budget Favorable (Unfavor.)
Primary Government: (Continued)						
General Fund: (Continued)						
Community development:						
Planning and community development:						
Planning commission	\$	17,645	\$	17,645 \$	8,107	9,538
Zoning and planning	•	140,507		140,507	133,714	6,793
Economic development		139,443		139,443	117,735	21,708
Rapidan Better Housing Corp.		7,000		7,000	7,000	, -
Aging together		5,000		5,000	5,000	-
Board of zoning appeals		5,440		5,440	2,078	3,362
Board of building code appeals		700		700	-,	700
Tourism		75,000		75,000	50,475	24,525
Planning district commission		16,057		16,057	16,057	,020
Geographic information system		19,982		19,982	13,937	6,045
Piedmont workforce network		2,000		2,000	2,000	-
Madison habitat for humanity		500		500	-	500
Skyline CAP	_	47,585	_	47,585	47,585	
Total planning and community development	\$_	476,859	\$_	476,859 \$	403,688	73,171
Environmental management:						
Soil and water conservation district	\$	40,033	ċ	40,033 \$	40,033	•
Forestry service	ڔ	6,000	ڔ	6,000	5,984	16
· · · · · · · · · · · · · · · · · · ·					1,000	10
Water quality management	-	1,000	-	1,000	1,000	
Total environmental management	\$_	47,033	\$_	47,033 \$	47,017	16
Cooperative extension program:						
VPI extension	\$	97,558	Ś	97,558 \$	84,290	13,268
Northern VA 4-H center	<b>*</b>	750	Ψ	750	750	5,200
	_		_			
Total cooperative extension program	\$_	98,308	۵_	98,308 \$	85,040	13,268
Total community development	\$_	622,200	\$_	622,200 \$	535,745	86,455
Nondepartmental:						
Miscellaneous	\$	64,650	Ś	65,000 \$	1,116	63,884
Contingency	_	447,991	_	-		-
Total nondepartmental	\$_	512,641	\$_	65,000 \$	1,116	63,884
Debt service:						
Principal retirement	\$	1,086,043	\$	1,086,043 \$	1,086,042	5 1
Interest and fiscal charges	_	308,634	_	308,634	297,873	10,761
Total debt service	\$_	1,394,677	\$_	1,394,677 \$	1,383,915	10,762
Total General Fund	\$_	25,287,375	\$ <u>_</u>	26,413,826 \$	24,890,563	1,523,263

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	\$	13	¢	13	¢	- \$	13
Capital Projects:  Miscellaneous projects School capital projects	\$_ \$_		-			8,408 \$ 391,805	
Total capital projects	\$_	1,499,987	\$_	1,499,987	\$_	400,213 \$	1,099,774
Total Capital Improvements Fund	\$_	1,500,000	\$	1,500,000	\$	400,213 \$	1,099,787
Total ExpendituresPrimary Government	\$_	26,787,375	\$	27,913,826	\$	25,290,776 \$	2,623,050
Discretely Presented Component Unit School Board: School Operating Fund: Education: Instruction Administration, attendance and health Pupil transportation services Operation and maintenance services Technology	\$	14,259,440 972,490 1,501,166 2,050,200 664,251	\$	14,294,843 972,490 1,501,166 2,183,826 910,396	\$	13,917,313 \$ 900,369 1,407,191 2,047,425 677,047	377,530 72,121 93,975 136,401 233,349
Total education	\$	19,447,547	\$	19,862,721	\$	18,949,345 \$	913,376
Debt service: Principal retirement Interest and fiscal charges	\$	-	\$	-	\$	61,378 \$ 1,800 \$	
Total debt service	\$_	-	\$	-	\$	63,178 \$	(63,178)
Total School Operating Fund	\$ <u>_</u>	19,447,547	\$_	19,862,721	\$	19,012,523 \$	850,198
Special Revenue Funds: School Cafeteria Fund: Education: School food program	\$_	861,900	\$_	861,900	\$	851,923 \$	9,977
School Capital Fund: Capital Projects: School projects	<u>-</u> \$	13	- <b>-</b> \$	13	\$	13 \$	-
Total capital projects	\$_	13	\$_	13	\$_	13 \$	-
Total School Capital Fund	\$	13	\$	13	\$	13 \$	-
Total ExpendituresDiscretely Presented Component Unit School Board	\$_	20,309,460	\$	20,724,634	\$	19,864,459 \$	860,175



Government-Wide Expenses by Function Last Ten Fiscal Years

92	Fiscal Year	General Government Adminis- tration	Judicial Adminis- tration	Public Safety	Public Works	Health and Welfare	Education	Parks Recreation and Cultural	Community Development	Interest on Debt	Total
2	2006-07	\$ 1,167,738 \$	581,515 \$	4,014,589 \$	1,382,984 \$	2,290,794 \$	7,206,592 \$	307,191	\$ 1,172,189	\$ 234,594 \$	18,358,186
	2007-08	1,159,581	611,026	4,311,119	1,553,922	2,513,784	7,656,901	283,031	732,319	205,686	19,027,369
	2008-09	1,274,260	816,078	4,279,844	1,432,619	2,652,806	7,455,744	354,226	435,164	206,551	18,907,292
	2009-10	1,236,352	784,033	4,266,320	1,235,080	2,580,466	8,259,183	371,752	411,120	199,776	19,344,082
	2010-11	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
	2011-12	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
	2012-13	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
	2013-14	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
	2014-15	1,385,253	1,133,013	5,199,293	948,947	4,932,052	9,350,811	450,261	588,519	292,905	24,281,054
	2015-16	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

Government-Wide Revenues Last Ten Fiscal Years

	_	P	Program Revenu	es	General Revenues										
	·					Local						Grants and Contributions	Revenues from the		
		Charges	Operating	Capital	General	Sales	Comm-	Consumers'	Motor	Restaurant	Other	Not Restricted	Use of		
	Fiscal	for	Grants and	Grants and	Property	and	unication	Utility	Vehicle	Food	Local	to Specific	Money &	Miscella-	
93	Year	Services	Contributions	Contributions	Taxes	Use Tax	Tax (1)	Tax	Licenses	Taxes	Taxes	Programs (1)	Property	neous	Total
~	<u> </u>														
	2006-07 \$	844,410 \$	2,970,282 \$	775,166 \$	10,575,070 \$	945,452\$	285,814 \$	533,146	\$ 352,763 \$	329,270 \$	440,733 \$	1,160,745 \$	434,989 \$	277,296 \$	19,925,136
	2007-08	802,944	3,000,591	30,000	10,796,759	885,111	666,524	321,026	346,983	337,062	298,080	1,132,739	299,916	151,095	19,068,830
	2008-09	700,279	3,471,398	95,724	16,597,542	871,669	605,598	323,111	11,395	328,782	274,476	1,089,378	150,953	249,562	24,769,867
	2009-10	683,771	3,192,291	-	11,966,643	776,952	608,119	304,321	1,410	320,479	265,345	1,082,024	174,695	133,961	19,510,011
	2010-11	914,025	3,433,918	-	12,513,243	763,844	-	347,299	418,414	318,251	282,431	1,763,040	125,474	185,893	21,065,832
	2011-12	1,237,560	4,168,508	6,250	13,623,003	839,405	-	317,594	420,975	335,143	401,744	1,756,719	99,377	268,350	23,474,628
	2012-13	948,345	4,302,181	-	14,158,939	856,431	-	321,273	423,225	341,365	418,580	1,749,093	112,497	613,492	24,245,421
	2013-14	1,062,962	4,650,409	4,601,477	14,730,276	865,583	-	322,800	425,198	351,835	408,787	1,749,820	120,246	290,046	29,579,439
	2014-15	1,015,066	5,016,167	-	14,880,317	965,923	-	334,364	436,137	380,853	421,898	1,727,109	106,236	290,340	25,574,410
	2015-16	1,030,798	5,301,202	-	14,881,805	982,248	-	334,021	447,600	401,303	432,878	1,736,350	115,497	386,279	26,049,981

<sup>(1)</sup> 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.

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

	Fiscal Year	F	General Property Taxes (3)	Other Local Taxes	_	Permits, Privilege Fees & Regulatory Licenses	_	Fines & Forfeitures	 Revenues from the Use of Money & Property	 Charges for Services	 Miscel- laneous	 Recovered Costs	go	Inter- overnmental (2)	_	Total
	2006-07 2007-08	•	0,479,228 \$ 0,641,562	2,887,178 2,854,786	-	243,660 285,298		159,163 68,780	\$ 436,563 300,560	\$ 938,793 962,013	\$ 340,875 226,991	\$ - -	\$	15,448,144 \$ 14,733,412		0,933,604 0,073,402
٥	2008-09		6,255,821	2,415,031		213,156		127,581	180,985	844,561	416,134	-		14,926,950		5,380,219
4	2009-10	1	1,881,329	2,276,626	)	193,601		160,201	213,718	818,527	214,365	-		14,020,795	29	9,779,162
	2010-11	1	2,527,310	2,130,239	)	228,572		162,755	168,030	957,404	336,102	-		14,368,576	30	0,878,988
	2011-12	1	3,638,769	2,314,861		164,269		152,815	129,874	1,304,487	741,178	-		15,606,531	34	4,052,784
	2012-13	1	4,250,356	2,360,874		161,826		164,756	146,549	987,866	909,130	=		16,559,976	35	5,541,333
	2013-14	1	4,491,657	2,374,203		242,529		189,681	152,516	968,135	519,461	-		16,795,001	35	5,733,183
	2014-15	1	4,916,195	2,539,175		176,783		218,303	128,613	919,345	697,966	=		17,107,278	36	5,703,658
	2015-16	1	4,939,437	2,598,050	)	212,473		170,894	123,980	968,408	1,063,394	-		17,568,139	37	7,644,775

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

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

<sup>(3)</sup> 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.

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

	Fiscal Year	General Admini- stration	Judicial Admini- stration	Public Safety	Public Works	Health and Welfare	Education(2)	Recreation and Cultural	Community Develop- ment	Non- departmental	Capital Projects	Debt Service	Total
	2006-07 \$	1,076,421 \$	547,999 \$	4,001,064 \$	1,366,803 \$	2,266,613 \$	17,735,628 \$	300,210	1,156,839	6,886 \$	519,851 \$	811,873 \$	29,790,187
9	2007-08	1,069,986	580,475	4,103,144	1,503,808	2,492,297	18,274,023	278,166	727,606	2,969	2,487,444	791,972	32,311,890
5	2008-09	1,066,321	779,987	4,095,111	1,384,744	2,637,754	17,766,916	283,468	434,648	141,418	3,580,242	800,187	32,970,796
	2009-10	1,032,617	751,801	4,285,339	1,213,242	2,549,199	17,619,776	302,702	382,894	84,874	4,634,042	1,648,163	34,504,649
	2010-11	1,079,799	752,503	4,423,250	1,203,558	2,899,404	17,506,718	304,055	653,101	111,112	239,673	1,585,967	30,759,140
	2011-12	1,063,875	730,518	4,915,378	1,184,056	3,795,114	18,111,745	314,751	481,807	90,040	52,249	1,892,410	32,631,943
	2012-13	1,265,783	763,682	4,869,780	1,146,436	4,454,921	18,972,672	360,431	481,924	130,309	1,038,856	2,581,873	36,066,667
	2013-14	1,219,249	865,373	5,634,475	999,430	4,731,099	19,094,380	435,199	508,977	36,702	4,663,682	1,232,766	39,421,332
	2014-15	1,298,574	819,898	5,465,454	1,025,561	4,950,311	19,626,160	420,701	595,144	5,584	6,539,841	1,428,288	42,175,516
	2015-16	1,328,466	848,738	5,506,166	950,854	5,582,522	19,804,268	476,491	535,745	1,116	400,226	1,447,093	36,881,685

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

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

### Property Tax Levies and Collections Last Ten Fiscal Years

Fiscal Year	Total (1) Tax Levy	Current Tax (1) (3) Collections	Percent of Levy Collected	Delinquent (1) Tax (2) Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding (1) Delinquent Taxes	Percent of Delinquent Taxes to Tax Levy
2006-07 \$	11,500,532 \$	11,177,781	97.19% \$	184,236 \$	11,362,017	98.80% \$	449,996	3.91%
2007-08	11,652,043	11,254,150	96.59%	212,406	11,466,556	98.41%	626,000	5.37%
2008-09	17,587,904	16,116,635	91.63%	977,283	17,093,918	97.19%	1,067,952	6.07%
2009-10	12,769,838	11,763,290	92.12%	863,163	12,626,453	98.88%	1,103,966	8.65%
2010-11	13,253,517	12,332,708	93.05%	993,265	13,325,973	100.55%	1,226,886	9.26%
2011-12	13,415,513	12,322,112	91.85%	949,858	13,271,970	98.93%	1,137,175	8.48%
2012-13	14,099,257	13,045,127	92.52%	902,588	13,947,715	98.93%	1,163,158	8.25%
2013-14	14,346,454	13,203,008	92.03%	931,044	14,134,052	98.52%	1,359,533	9.48%
2014-15	14,599,617	13,851,493	94.88%	702,747	14,554,240	99.69%	1,457,348	9.98%
2015-16	14,705,489	13,404,674	91.15%	1,175,209	14,579,883	99.15%	1,457,348	9.91%

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

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

<sup>(3)</sup> Includes Commonwealth of Virginia Personal Property Tax Relief Act funds.

Fiscal Year	Real Estate (2)	Personal Property	Mobile Homes	Machinery and Tools	Merchants' Capital	Public Service	Total
2006-07 \$	1,264,715,300 \$	163,607,309 \$	1,417,940 \$	6,190,939 \$	23,301,149 \$	33,151,419 \$	1,492,384,056
2007-08	1,298,909,100	162,442,134	1,509,889	5,871,140	26,275,770	24,477,476	1,519,485,509
2008-09	2,931,263,050	147,441,726	1,323,762	6,014,590	27,220,872	37,295,445	3,150,559,445
2009-10	1,962,094,200	122,898,091	1,331,600	4,930,033	26,865,146	41,188,982	2,159,308,052
2010-11	1,968,205,900	119,915,146	1,356,400	4,490,180	20,612,489	42,548,911	2,157,129,026
2011-12	1,978,255,150	115,602,303	1,351,300	4,386,450	24,618,756	47,248,097	2,171,462,056
2012-13	1,785,742,800	116,902,835	1,367,700	3,801,840	22,921,593	46,116,154	1,976,852,922
2013-14	1,591,460,450	117,824,549	1,104,500	3,844,827	20,776,576	44,805,961	1,779,816,863
2014-15	1,605,038,450	118,207,845	1,142,200	4,144,481	24,428,195	48,828,075	1,801,789,246
2015-16	1,620,377,400	114,334,699	1,160,600	4,071,363	24,036,071	47,366,304	1,811,346,437

<sup>(1) 100%</sup> fair market value.

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<sup>(2)</sup> 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.

Table 7

Property Tax Rates (1) Last Ten Fiscal Years

Fiscal Years	Real Estate	Personal Property (2)	Mobile Homes	Machinery and Tools (2)	Merchants' Capital (2)
2006-07 \$	0.59 \$	2.14 \$	0.59 \$	1.10 \$	0.86
2007-08	0.59	2.14	0.59	1.10	0.86
2008-09	0.44	2.14	0.44	1.47	0.86
2009-10	0.44	2.95/2.80	0.44	1.47	0.86
2010-11	0.44/0.50	2.95/2.80	0.44	1.47	0.86
2011-12	0.50/0.53	2.95/2.80	0.50	1.62	0.86
2012-13	0.53/0.67	3.45/2.80	0.53	1.67	0.86
2013-14	0.67/0.68	3.45	0.67	1.67	0.86
2014-15	0.68	3.45	0.68	1.67	0.86
2015-16	0.68	3.45	0.68	1.67	0.86

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

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

Table 8

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

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Net Bonded Debt	Ratio of Net General Obligation Debt to Assessed Value	Net Bonded Debt per Capita
2006-07	12,520 \$	1,492,384,056 \$	5,750,840 \$	5,750,840	0.0039	459
2007-08	12,520	1,519,485,509	5,174,039	5,174,039	0.0034	413
2008-09	12,520	3,150,559,445	7,599,998	7,599,998	0.0024	607
2009-10	12,520	2,159,308,052	7,743,068	7,743,068	0.0036	618
2010-11	13,308	2,157,129,026	6,428,248	6,428,248	0.0030	483
2011-12	13,308	2,171,462,056	4,810,000	4,810,000	0.0022	361
2012-13	13,308	1,976,852,922	13,242,500	13,242,500	0.0067	995
2013-14	13,200	1,779,816,863	12,881,500	12,881,500	0.0072	976
2014-15	13,200	1,801,789,246	12,939,000	12,939,000	0.0072	980
2015-16	13,200	1,811,346,437	12,483,000	12,483,000	0.0069	946

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

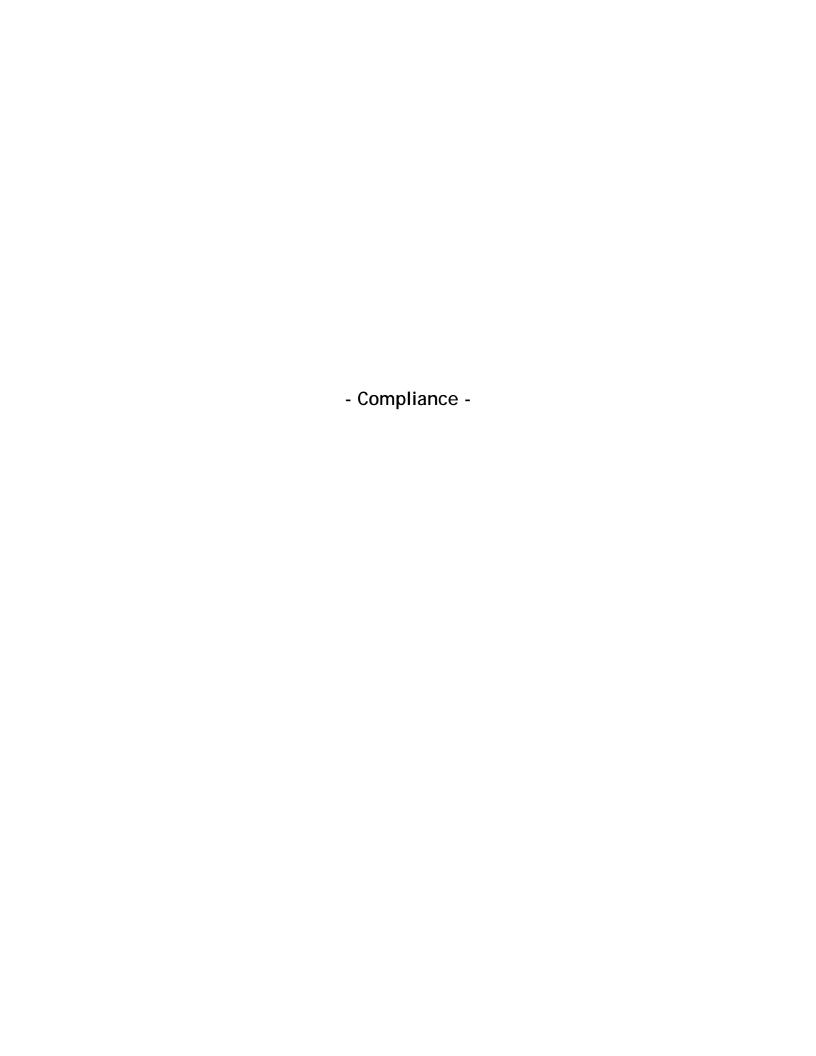
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<sup>(2)</sup> From Table 6.

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

Fiscal Year	_	Principal	_	Interest	_	Total Debt Service	Total General Governmental Expenditures (1)	Ratio of Debt Service to General Governmental Expenditures
2006-07	\$	570,017	\$	241,856	\$	811,873	\$ 29,790,187	2.73%
2007-08		576,801		215,171		791,972	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	5.65%
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%

<sup>(1)</sup> 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, 2016, 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 21, 2016.

## 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.

Charlottesville, Virginia December 21, 2016

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# 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, 2016. 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, 2016.

#### 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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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

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December 21, 2016

Federal Grantor/Pass - Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	<u>Ex</u>	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	\$	1,492
Asset Forfeitures	16.000	N/A		3,996
Crime Victim Assistance	15.575	N/A		3,242
Total Department of Justice			\$	8,730
Department of Transportation:				
Pass Through Payments:				
Virginia Department of Motor Vehicles:				
State and Community Highway Safety	20.600	SC1454256	\$	6,587
Department of Health and Human Services:				
Pass Through Payments:				
Department of Social Services:				
Promoting Safe and Stable Families	93.556	0950109/0950110	\$	12,518
Temporary Assistance for Needy Families	93.558	0400109/0400110	•	105,477
Refugee and Entrant Assistance - State Administered Programs	93.566	0500109/0500110		132
Low-Income Home Energy Assistance	93.568	0600409/0600410		11,759
Child Care Mandatory and Matching Funds of the Child				,
Care and Development Fund	93.596	0760109/0760110		18,516
Chafee Education and Training Vouchers Program	93.599	9160110		3,866
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900109/0900110		584
Foster Care - Title IV-E	93.658	1100109/1100110		239,637
Adoption Assistance	93.659	1120109/1120110		61,782
Social Services Block Grant	93.667	1000109/1000110		149,641
Chafee Foster Care Independence Program	93.674	9150108/9150109/91501110		5,121
Children's Health Insurance Program	93.767	0540109/0540110		5,440
Medical Assistance Program	93.778	1200109/1200110		169,525
Total Department of Health and Human Services			\$	783,998
Department of Homeland Security:				
Pass Through Payments:				
Virginia Department of Emergency Management:				
	07.026	N1/A	ċ	2 449
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	N/A	\$	2,448

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 Total Expenditures of Federal Awards-Primary Government	10.561	0010111/0010112/0040111/0040112	\$ 135,954 \$ 937,717
Component Unit School Board:			
Department of Agriculture: Pass Through Payments: Department of Agriculture: Food Distribution (Child Nutrition Cluster)	10.555	2013IN109941/2014IN109941	\$ 57,463
Department of Education: National School Lunch Program (Child Nutrition Cluster)	10.555	2013IN109941/2014IN109941	369,861 427,324
School Breakfast Program (Child Nutrition Cluster)	10.553	2013IN109941/2014IN109941	75,208
Department of Agriculture: Food Distribution (Child Nutrition Cluster)	10.559	2013IN109941/2014IN109941	419
Total Department of Agriculture/Child Nutrition Cluster			\$ 502,951
Department of Education: Pass Through Payments: Department of Education:			
Title 1 Grants to Local Educational Agencies Supporting Effective Instruction State Grant English Language Acquisition State Grants	84.010 84.367 84.365	S010A120046/S010130046 S367A120044/S367A13044 N/A	\$ 381,019 86,809 603
Special Education - Grants to States (Special Education Cluster) Special Education - Preschool Grants (Special Education Cluster) Special Education Cluster Total	84.027 84.173	H027A120107/H027A130107 H173A120112/H173A130112	388,104 11,175 399,279
Advanced Placement Program  Career and Technical Education Basic Grants to States	84.330 84.048	\$330B130008 V048A120046/V048A130046	492 32,736
Total Department of Education			\$ 900,938
Total Expenditures of Federal Awards-Component Unit School Board			\$ 1,403,889
Total Expenditures of Federal Awards-Reporting Entity			\$ 2,341,606

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

#### 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, 2016. 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 - 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	\$1,030,244_
Total primary government	\$1,030,244
Component Unit School Board: School Operating Fund School Cafeteria Fund	\$ 900,938 502,951
Total component unit school board  Total federal expenditures per basic financial  statements	\$ <u>1,403,889</u> \$ <u>2,434,133</u>
Payments in lieu of taxes	\$(92,527)
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ 2,341,606

#### COUNTY OF MADISON, VIRGINIA

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

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

Significant deficiency(ies) identified?

None reported

Noncompliance material to financial statements noted?

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:

CFDA # Name of Federal Program or Cluster

10.553/10.555/10.559 Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B

programs \$750,000

Auditee qualified as low-risk auditee?
Yes

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

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

Section IV - Prior Year Findings and Questioned Costs

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