

**COUNTY OF WASHINGTON, VIRGINIA**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2015**

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COUNTY OF WASHINGTON, VIRGINIA  
FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2015

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## INTRODUCTORY SECTION

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## COUNTY OF WASHINGTON, VIRGINIA

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### BOARD OF SUPERVISORS

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Phillip B. McCall, Chair	
Randy L. Pennington, Vice-Chair	Dr. James E. Baker
William B. Gibson	Odell Owens
Vernon L. Smith	C. Wayne Stevens, Jr.
Jason Berry, Clerk	

### COUNTY SCHOOL BOARD

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Tom Musick, Chair	
Dr. Douglas E. Arnold, Vice-Chair	Billy W. Brooks
Terry D. Fleenor	Elizabeth P. Lowe
Dayton Owens	Danny Ruble
Melissa Caudill, Clerk	

### SOCIAL SERVICES BOARD

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David M. Cline, Chair	
Jack C. Phelps, Vice-Chair	Linda Crane
Rhonda Lusk	Kathryn A. Roark
Janet Combs	Kay Poole

### OTHER OFFICIALS

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Clerk of the Circuit Court.....	Patricia Moore
Commonwealth's Attorney .....	Nicole M. Price
Commissioner of the Revenue.....	Layton David Henry
Treasurer .....	Fred W. Parker
Sheriff .....	Fred P. Newman
Superintendent of Schools .....	Dr. Brian Ratliff
Director of Social Services .....	Randall T. Blevins
County Administrator .....	Jason Berry
Finance Director .....	Mark W. Seamon
County Attorney .....	Lucy E. Phillips



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## FINANCIAL SECTION

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# 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 WASHINGTON, VIRGINIA

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of County of Washington, Virginia, as of and for the year ended June 30, 2015, 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 did not audit the financial statements of the Virginia Highlands Airport Authority. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the other component unit, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; 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, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of County of Washington, Virginia, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Change in Accounting Principle*

As described in Note 21 to the financial statements, in 2015, the County adopted new accounting guidance, GASB Statement Nos. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27 and 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68. 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 management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 5-11, 82, and 83-89, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise County of Washington, Virginia's basic financial statements. The introductory section, combining and individual fund financial statements and supporting schedules, 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.



The combining and individual fund financial statements and supporting schedules 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 by us and other auditors. In our opinion, based on our audit, the procedures as described above and the report of the other auditors, the combining and individual fund financial statements and supporting schedules, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2015, on our consideration of County of Washington, 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 Washington, Virginia's internal control over financial reporting and compliance.

*Robinson, Turner, Co. Associates*

Blacksburg, Virginia  
December 20, 2015



## MANAGEMENT'S DISCUSSION AND ANALYSIS

To the Honorable Members of the  
Board of Supervisors  
To the Citizens of Washington County  
County of Washington, Virginia

As management of the County of Washington, Virginia we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with the basic audited financial statements.

### Financial Highlights:

- The assets and deferred outflows of resources of the County's governmental activities exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$23,295,775 (net position). Of this amount, \$15,010,145 was considered unrestricted.
- The liabilities and deferred inflows of resources of the School Board component unit exceeded its assets and deferred outflows of resources at the close of the fiscal year by (\$49,836,630) (net position). The negative net position is due largely to the implementation of GASB 68 requiring the reporting of net pension liability as long term debt.
- As of the close of the current fiscal year, the County's funds reported combined ending fund balances of \$24,520,433. Of the amount \$15,646,136 was considered unassigned, \$790,279 was considered assigned, \$5,326,046 was considered committed, \$2,697,220 was considered restricted and \$60,752 was considered nonspendable.
- During the year, the County had governmental fund expenditures that were \$1,507,239 more than revenues.

### Overview of the Financial Statements:

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components:

- Government-wide financial statements,
- Fund financial statements, and
- Notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements.



Government-wide Financial Statements – The Government-wide Financial Statements are designed to provide the readers with a broad overview of the County’s finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the County’s assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the Government-wide Financial Statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). Our governmental activities include general government, courts, public safety, sanitation, social services, education, cultural events, and recreation.

The Government-wide Financial Statements include not only the County of Washington, Virginia itself (known as the primary government), but also a legally separate school board for which the County of Washington, Virginia is financially accountable. The financial statements also include three discretely presented component units that we do not control, but do exercise a significant financial relationship with. These include the Park Authority, the Industrial Development Authority and the Virginia Highlands Airport Authority.

Fund financial statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County of Washington, Virginia, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the Government-wide Financial Statements. However, unlike the Government-wide Financial Statements, governmental fund financial statement focus on near-term inflows and outflows of spendable resources, as well as on balance of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.



Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financing decisions. Both the governmental fund balance sheet and the governmental statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains three individual governmental funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Capital Improvement Fund and the School Capital Improvement Fund, of which all three are considered to be major funds.

The County adopts an annual appropriated budget for its Governmental funds. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

Proprietary Funds – The County maintains one proprietary fund. This Internal Service Fund accounts for activities similar to those found in the private sector.

Fiduciary funds – The County is the trustee, or fiduciary, for the County's agency funds and expendable trust funds. We are responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net assets. The County excludes these activities from the County's Government-wide Financial Statements because the County cannot use these assets to finance its operations.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the Government-wide and Fund Financial Statements.

Other information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information for budgetary comparison and presentation of combining financial statements for the discretely presented component units and the non-major funds.

#### Government-wide Financial Analysis

As noted earlier, net position may serve as a useful indicator of a County's financial position. In the case of the County's Primary Government, assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$23,295,775 at the close of the most recent fiscal year.



A significant portion of the County's net position \$5,588,410 reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the County's net position \$2,697,220, are subject to restrictions on how they may be used. The remaining balance of net position \$15,010,145 may be used to meet the County's ongoing obligations.

The following table summarizes the County's Statement of Net Position and Statement of Activities for 2015 and 2014.

#### Statement of Net Position

	Governmental Activities	Governmental Activities
	2015	2014
Current and other assets	\$ 41,977,215	\$ 56,967,359
Capital and other assets	34,102,087	34,792,436
Total assets	<u>\$ 76,079,302</u>	<u>\$ 91,759,795</u>
Deferred outflows of resources	<u>\$ 1,290,757</u>	<u>\$ -</u>
Current and other liabilities	\$ 2,002,773	\$ 2,463,010
Long-term liabilities	37,624,098	32,941,766
Total liabilities	<u>\$ 39,626,871</u>	<u>\$ 35,404,776</u>
Deferred inflows of resources	<u>\$ 14,447,413</u>	<u>\$ 25,576,114</u>
Net position:		
Net investment in capital assets	\$ 5,588,410	\$ 4,390,856
Restricted	2,697,220	3,347,788
Unrestricted	15,010,145	23,040,261
Total net position	<u>\$ 23,295,775</u>	<u>\$ 30,778,905</u>



## Statement of Activities

	Governmental Activities 2015	Governmental Activities 2014
Program revenues		
Charges for services	\$ 1,864,511	\$ 1,875,166
Operating grants and contributions	9,378,338	9,503,961
Capital grants and contributions	233,206	687,141
General revenues		
Property taxes	35,963,625	34,581,104
Other taxes	9,294,629	9,229,842
Revenue from use of money and property	119,508	123,575
Miscellaneous	937,614	956,021
Grants and contributions not restricted to specific programs	4,393,869	4,413,735
Total revenues	62,185,300	61,370,545
Expenses		
General government	3,508,913	3,801,462
Judicial administration	1,602,299	1,590,653
Public safety	11,090,052	10,667,821
Public works	3,729,458	3,504,762
Health and welfare	7,800,245	8,434,168
Education	28,369,156	28,605,420
Parks, recreation and cultural	2,233,396	2,261,825
Community development	2,325,083	2,544,189
Interest on debt	1,077,287	1,185,934
Total expenses	61,735,889	62,596,234
Change in net position	\$ 449,411	\$ (1,225,689)

At the end of the current fiscal year, the County is able to report positive balances in all categories of net positions.

### Financial Analysis of the County's Funds

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



Governmental Funds – The focus of the County’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a County’s net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the County’s governmental funds reported combined ending fund balances of \$24,520,433; .2% or \$60,752 constitutes nonspendable fund balance, 11% or \$2,697,220 constitutes restricted fund balance, which is not available for current spending since it has been restricted by external parties such as grantors, laws or legislation. Approximately 21.7% or \$5,326,046 has been committed by action of the Board of Supervisors and 3.2% or \$790,279 has been assigned by the Board of Supervisors. The remaining balance, \$15,646,136 or 63.9% is unassigned, meaning there is no restrictions placed on the funds.

The general fund is the operating fund of the County. At the end of the current fiscal year, total fund balance of the general fund was \$22,350,762, of this amount \$15,646,136 was considered unassigned. The two Capital Improvement funds had restricted fund balances of \$2,169,671.

Total governmental fund revenues increased \$244,908 and expenditures increased \$10,414 over prior year amounts. For fiscal year ended June 30, 2015, expenditures exceeded revenues by \$1,507,239, as compared to the fiscal year ended June 30, 2014, expenditures exceeded revenues by \$1,741,733.

#### General Fund Budgetary Highlights

There were differences between the original budget and the final amended budget for the current year. The County budgeted revenues of \$64,514,702 for fiscal year 2015. The actual revenues were \$62,713,390 which is an unfavorable variance of \$1,801,312. The unfavorable variance is attributed to revenue from general property taxes, recovered costs, and intergovernmental revenues from commonwealth and federal government budgeted for more than the actual amount received. The budgeted expenditures were \$69,886,739 for the County. The actual expenditures were \$63,106,218 which is a favorable variance of \$6,780,521 which is attributed largely to expenditures for all departments budgeted for more than was actually spent.

#### Capital Assets and Debt Administration

Capital assets – The County’s investment in capital assets for its governmental funds activities as of June 30, 2015 amounts to \$34,102,087 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and machinery and equipment. The main capital expenditures during fiscal year 2015 were for the purchase of vehicles for the sheriff’s department and the purchase of equipment for emergency management.

Additional information on the County of Washington’s capital assets can be found in Note 11 of this report.



Long-term debt – At the end of the current fiscal year, the County’s primary government had total debt outstanding as follows:

Primary Government:		
Compensated absences	\$	1,442,673
OPEB obligation		1,139,312
Net pension liability		6,473,361
General obligation bonds		14,284,594
Lease revenue notes		12,010,000
Lease purchase		152,016
Landfill post-closure costs		55,075
Literary loans		2,067,067
Total	\$	<u>37,624,098</u>

Additional information on the County of Washington’s long-term debt can be found in Note 6 of this report.

#### Economic Factors

The June 2015 unemployment rate for the County of Washington, Virginia was 5.4%, which is a decrease from a rate of 6.6% in June 2014. This is slightly above the state’s average unemployment rate of 5.0% and the national average rate of 5.3%.

#### Request for Information

This financial report is designed to provide a general overview of the County’s finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of Budget and Finance, Government Center Building, One Government Center Place, Suite A, Abingdon, Virginia 24210.



## Basic Financial Statements



County of Washington, Virginia  
Statement of Net Position  
June 30, 2015

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>	<u>Component</u> <u>Units</u> <u>School Board</u>	<u>Other</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 22,779,594	\$ 5,251,836	\$ 2,416,945
Investments	250,869	-	-
Receivables (net of allowance for uncollectibles):			
Taxes receivable	15,684,006	-	-
Accounts receivable	637,227	302,645	149,419
Notes receivable	-	-	12,010,000
Grants receivable	-	-	342,535
Due from primary government	-	1,309,424	-
Due from other governmental units	2,564,767	2,443,356	242,086
Inventories	-	-	41,153
Prepaid items	60,752	610,056	36,966
Other assets:			
Cash held in bond escrow	-	-	256,929
Capital assets (net of accumulated depreciation):			
Land	1,887,457	3,029,475	26,967,189
Buildings and system	30,448,790	9,081,780	3,646,659
Improvements other than buildings	19,985	-	6,612,752
Machinery and equipment	1,670,167	5,451,812	381,351
Construction in progress	75,688	51,334	3,027,223
Total assets	<u>\$ 76,079,302</u>	<u>\$ 27,531,718</u>	<u>\$ 56,131,207</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension contributions subsequent to measurement date	<u>\$ 1,290,757</u>	<u>\$ 5,291,326</u>	<u>\$ 13,420</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 200,550	\$ 289,271	\$ 717,777
Accrued liabilities	-	728,761	9,832
Accrued wages	66,254	3,766,154	14,309
Accrued interest payable	426,545	-	326,058
Due to other governmental units	-	-	20,000
Due to component unit	1,309,424	-	-
Long-term liabilities:			
Due within one year	2,113,344	-	2,858,312
Due in more than one year	35,510,754	67,218,515	15,522,349
Total liabilities	<u>\$ 39,626,871</u>	<u>\$ 72,002,701</u>	<u>\$ 19,468,637</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred revenue - property taxes	\$ 12,240,901	\$ -	\$ -
Items related to measurement of net pension liability	2,206,512	9,440,973	37,412
Changes in proportion and difference between employer contributions and proportionate share of contributions	-	1,216,000	-
Total deferred inflows of resources	<u>\$ 14,447,413</u>	<u>\$ 10,656,973</u>	<u>\$ 37,412</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 5,588,410	\$ 17,614,401	\$ 34,266,967
Restricted	2,697,220	-	-
Unrestricted	15,010,145	(67,451,031)	2,371,611
Total net position	<u>\$ 23,295,775</u>	<u>\$ (49,836,630)</u>	<u>\$ 36,638,578</u>

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



County of Washington, Virginia  
Statement of Activities  
For the Year Ended June 30, 2015

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Unit	
						School Board	Other Component Units
<b>PRIMARY GOVERNMENT:</b>							
Governmental activities:							
General government administration	\$ 3,508,913	\$ 112,450	\$ 364,861	\$ -	\$ (3,031,602)	\$ -	\$ -
Judicial administration	1,602,299	4,945	816,669	-	(780,685)	-	-
Public safety	11,090,052	1,170,767	2,573,232	138,106	(7,207,947)	-	-
Public works	3,729,458	398,409	31,965	-	(3,299,084)	-	-
Health and welfare	7,800,245	-	5,370,383	-	(2,429,862)	-	-
Education	28,369,156	-	-	-	(28,369,156)	-	-
Parks, recreation, and cultural	2,233,396	81,676	157,401	-	(1,994,319)	-	-
Community development	2,325,083	96,264	63,827	95,100	(2,069,892)	-	-
Nondepartmental	-	-	-	-	-	-	-
Interest on long-term debt	1,077,287	-	-	-	(1,077,287)	-	-
Total government activities	\$ 61,735,889	\$ 1,864,511	\$ 9,378,338	\$ 233,206	\$ (50,259,834)	\$ -	\$ -
<b>COMPONENT UNITS:</b>							
School Board	\$ 74,624,019	\$ 2,543,155	\$ 44,305,015	\$ -	\$ -	\$ (27,775,849)	\$ -
Other Component Units	3,474,579	1,474,944	225,600	1,712,216	-	-	(61,819)
Total component units	\$ 78,098,598	\$ 4,018,099	\$ 44,530,615	\$ 1,712,216	\$ -	\$ (27,775,849)	\$ (61,819)
General revenues:							
General property taxes					\$ 35,963,625	\$ -	\$ -
Other local taxes:							
Local sales and use taxes					6,622,731	-	-
Consumers' utility taxes					1,165,021	-	-
Utility license taxes					138,350	-	-
Motor vehicle licenses					887,677	-	-
Bank stock taxes					41,277	-	-
Taxes on recordation and wills					378,551	-	-
Hotel and motel room taxes					61,022	-	-
Unrestricted revenues from use of money and property					119,508	9,809	521,667
Miscellaneous					937,614	1,343,491	64,908
Payments from Washington County					-	27,243,617	1,549,357
Grants and contributions not restricted to specific programs					4,393,869	-	-
Total general revenues					\$ 50,709,245	\$ 28,596,917	\$ 2,135,932
Change in net position					\$ 449,411	\$ 821,068	\$ 2,074,113
Net position - beginning, as restated					22,846,364	(50,657,698)	34,564,465
Net position - ending					\$ 23,295,775	\$ (49,836,630)	\$ 36,638,578

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



County of Washington, Virginia  
Balance Sheet  
Governmental Funds  
June 30, 2015

	<u>General</u>	<u>County Capital Improvements</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 20,608,880	\$ 1,296,919	\$ 873,795	\$ 22,779,594
Investments	250,869	-	-	250,869
Receivables (net of allowance for uncollectibles):				
Taxes receivable	15,684,006	-	-	15,684,006
Other receivables	637,227	-	-	637,227
Due from other governmental units	2,564,767	-	-	2,564,767
Prepaid items	60,752	-	-	60,752
Total assets	<u>\$ 39,806,501</u>	<u>\$ 1,296,919</u>	<u>\$ 873,795</u>	<u>\$ 41,977,215</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 199,507	\$ 1,043	\$ -	\$ 200,550
Accrued wages	66,254			66,254
Due to component unit	1,309,424	-	-	1,309,424
Total liabilities	<u>\$ 1,575,185</u>	<u>\$ 1,043</u>	<u>\$ -</u>	<u>\$ 1,576,228</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	\$ 15,880,554	\$ -	\$ -	\$ 15,880,554
<b>Fund balances:</b>				
Nonspendable	\$ 60,752	\$ -	\$ -	\$ 60,752
Restricted	527,549	1,295,876	873,795	2,697,220
Committed	5,326,046	-	-	5,326,046
Assigned	790,279	-	-	790,279
Unassigned	15,646,136	-	-	15,646,136
Total fund balances	<u>\$ 22,350,762</u>	<u>\$ 1,295,876</u>	<u>\$ 873,795</u>	<u>\$ 24,520,433</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 39,806,501</u>	<u>\$ 1,296,919</u>	<u>\$ 873,795</u>	<u>\$ 41,977,215</u>

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



County of Washington, Virginia  
Reconciliation of the Balance Sheet of Governmental Funds  
To the Statement of Net Position  
June 30, 2015

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 24,520,433
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$ 1,887,457	
Buildings and system	30,448,790	
Improvements other than buildings	19,985	
Machinery and equipment	1,670,167	
Construction in progress	75,688	34,102,087

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

Unavailable revenue	\$ 3,639,653	
Items related to measurement of net pension liability	(2,206,512)	1,433,141

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

1,290,757

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

General obligation bonds and note	\$ (14,050,172)	
General obligation bond premium	(234,422)	
Literary loans	(2,067,067)	
Lease revenue notes	(12,010,000)	
Capital lease	(152,016)	
Landfill post-closure liability	(55,075)	
Net OPEB obligation	(1,139,312)	
Net pension liability	(6,473,361)	
Compensated absences	(1,442,673)	
Accrued interest payable	(426,545)	(38,050,643)

Net position of governmental activities

\$ 23,295,775

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



County of Washington, Virginia  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2015

	<u>General</u>	<u>County Capital Improvements</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>REVENUES</b>				
General property taxes	\$ 35,818,485	\$ -	\$ -	\$ 35,818,485
Other local taxes	9,294,629	-	-	9,294,629
Permits, privilege fees, and regulatory licenses	187,014	-	-	187,014
Fines and forfeitures	1,021,836	-	-	1,021,836
Revenue from the use of money and property	119,508	-	-	119,508
Charges for services	655,661	-	-	655,661
Miscellaneous	937,614	-	-	937,614
Recovered costs	673,230	-	-	673,230
Intergovernmental:				
Commonwealth	11,310,028	-	-	11,310,028
Federal	2,695,385	-	-	2,695,385
Total revenues	<u>\$ 62,713,390</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 62,713,390</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 3,221,950	\$ -	\$ -	\$ 3,221,950
Judicial administration	1,624,187	-	-	1,624,187
Public safety	11,496,109	160,000	-	11,656,109
Public works	3,472,833	32,464	-	3,505,297
Health and welfare	7,963,697	-	-	7,963,697
Education	27,328,144	-	714,183	28,042,327
Parks, recreation, and cultural	2,114,710	118,834	-	2,233,544
Community development	2,277,067	88,930	-	2,365,997
Nondepartmental	474,926	-	-	474,926
Debt service:				
Principal retirement	1,913,959	-	-	1,913,959
Interest and other fiscal charges	1,218,636	-	-	1,218,636
Total expenditures	<u>\$ 63,106,218</u>	<u>\$ 400,228</u>	<u>\$ 714,183</u>	<u>\$ 64,220,629</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (392,828)</u>	<u>\$ (400,228)</u>	<u>\$ (714,183)</u>	<u>\$ (1,507,239)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ -	\$ 37,995	\$ 450,000	\$ 487,995
Transfers out	(487,995)	-	-	(487,995)
Issuance of general obligation refunding note	1,854,000	-	-	1,854,000
Current refunding of bonds	(1,807,164)	-	-	(1,807,164)
Total other financing sources (uses)	<u>\$ (441,159)</u>	<u>\$ 37,995</u>	<u>\$ 450,000</u>	<u>\$ 46,836</u>
Net change in fund balances	\$ (833,987)	\$ (362,233)	\$ (264,183)	\$ (1,460,403)
Fund balances - beginning	23,184,749	1,658,109	1,137,978	25,980,836
Fund balances - ending	<u>\$ 22,350,762</u>	<u>\$ 1,295,876</u>	<u>\$ 873,795</u>	<u>\$ 24,520,433</u>

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



County of Washington, Virginia  
Reconciliation of Statement of Revenues,  
Expenditures, and Changes in Fund Balances of Governmental Funds  
To the Statement of Activities  
For the Year Ended June 30, 2015

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

Net change in fund balances - total governmental funds \$ (1,460,403)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation exceeded capital outlays in the current period.

Capital Outlay	\$ 812,716	
Depreciation Expense	<u>(1,371,811)</u>	(559,095)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position. (131,254)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	\$ 145,140	
Change in deferred inflows related to the measurement of the net pension liability	<u>(2,206,512)</u>	(2,061,372)

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. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in treatment of long-term obligations and related items.

Debt issued or incurred:		
General obligation bonds and note	\$ (1,854,000)	
Increase in landfill post-closure liability	(919)	
Principal repayments:		
General obligation bonds and note	2,980,003	
Literary loans	282,023	
Lease revenue notes	360,000	
Capital lease	<u>99,097</u>	1,866,204

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.

Amortization of bond premium	\$ 20,780	
Change in compensated absences	10,402	
Change in net OPEB obligation	(106,357)	
Change in net pension liability	2,833,233	
Change in deferred outflows related to pension payments subsequent to the measurement date	(83,296)	
Change in accrued interest payable	<u>120,569</u>	2,795,331

Change in net position of governmental activities		<u><u>\$ 449,411</u></u>
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The notes to the financial statements are an integral part of this statement.



County of Washington, Virginia  
Statement of Net Position  
Proprietary Fund  
June 30, 2015

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	Internal Service <u>Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	<u>\$ 3,200,678</u>
<b>LIABILITIES</b>	
Current liabilities:	
Incurred but unpaid liability	<u>\$ 728,761</u>
<b>NET POSITION</b>	
Unrestricted	<u>\$ 2,471,917</u>
Total net position	<u><u>\$ 2,471,917</u></u>

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



County of Washington, Virginia  
Statement of Revenues, Expenses, and Changes in Net Position  
Proprietary Fund  
For the Year Ended June 30, 2015

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	Internal Service <u>Fund</u>
<b>OPERATING REVENUES</b>	
Charges for services:	
Insurance premiums	<u>\$ 9,121,317</u>
<b>OPERATING EXPENSES</b>	
Insurance claims and expenses	<u>\$ 8,639,087</u>
 Operating income (loss)	 <u>\$ 482,230</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Investment income	<u>\$ 23,090</u>
 Change in net position	 <u>\$ 505,320</u>
Total net position - beginning	1,966,597
Total net position - ending	<u><u>\$ 2,471,917</u></u>

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



County of Washington, Virginia  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2015

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	Internal Service <u>Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts for insurance premiums	\$ 9,121,317
Payments for premiums	(8,687,216)
Net cash provided by (used for) operating activities	<u>\$ 434,101</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income	\$ 23,090
Net cash provided by (used for) investing activities	<u>\$ 23,090</u>
Net increase (decrease) in cash and cash equivalents	\$ 457,191
Cash and cash equivalents - beginning	2,743,487
Cash and cash equivalents - ending	<u><u>\$ 3,200,678</u></u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>	
Operating income (loss)	<u>\$ 482,230</u>
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:	
Increase (decrease) in amounts incurred but unpaid	\$ (48,129)
Net cash provided by (used for) operating activities	<u><u>\$ 434,101</u></u>

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



County of Washington, Virginia  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2015

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 323,883
Cash in custody of others	6,161
Accounts receivable	7,919
Total assets	<u>\$ 337,963</u>
<b>LIABILITIES</b>	
Amounts held for social services clients	\$ 125,822
Amounts held for County employee fringe benefits	31,559
Amounts held for soil erosion deposits	9,819
Amounts held for commonwealth attorney collection program	163,805
Amounts held for school escrow	6,958
Total liabilities	<u>\$ 337,963</u>

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



COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

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

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

**A. Financial Reporting Entity**

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

Blended component units - None

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

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

**Other Discretely Presented Component Units:**

The Virginia Highlands Airport Authority was created by the County of Washington to operate a regional airport. Washington County Board of Supervisors appoints the members of the Airport Authority. The County contributes a significant amount to the Authority's operations and there exists a financial benefit/burden relationship. A complete financial report of the Authority can be obtained by contacting the Authority.

The Industrial Development Authority of Washington County is authorized to acquire, own, lease, and dispose of properties to the end that such activities may promote industry and develop trade by inducing enterprises to locate and remain in Washington County. Washington County Board of Supervisors appoints the members of the Board of Directors of the Industrial Development Authority. There exists a financial benefit/burden relationship between the County and the Industrial Development Authority. A complete financial report of the Authority can be obtained by contacting the Authority.

The Park Authority of Washington County, Virginia is authorized to acquire, operate and maintain public parks and recreation areas within Washington County, Virginia. Washington County Board of Supervisors appoints the eight member board of directors of the Park Authority. There exists a financial benefit/burden relationship between the County and the Park Authority. A complete financial report of the Authority can be obtained by contacting the Authority.



NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

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

A. Financial Reporting Entity (Continued)

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

Jointly Governed Organizations - The County, in conjunction with other local jurisdictions, participates in supporting the Southwest Virginia Regional Jail Authority, Appalachian Juvenile Commission, and the Highlands Community Services. The governing bodies of these organizations are appointed by the respective governing bodies of the participating jurisdictions. During the year, the County contributed \$2,666,286 to the Regional Jail, \$213,324 to the Juvenile Commission, and \$348,499 to the Community Services Board. The County does not have any ongoing financial responsibility for these Organizations.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment 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*.

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



NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

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**Note 1-Summary of Significant Accounting Policies: (Continued)****C. Measurement focus, basis of accounting, and financial statement presentation**

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for un-collectible amounts. Property taxes not collected within 60 days after year-end are reflected as unavailable revenues.

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

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

The County reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for and reports all financial resources of the general government, except those required to be accounted for in other funds. The general fund includes the activities of the Forfeited Asset, Law Library, Road Improvement, E-911 project, County Library, Virginia Public Assistance, Comprehensive Service, Title IV-E Rev Max, Prebook Tax and Trigon Reserve Funds.

The County Capital Improvements Fund is reported as a major *capital projects fund*. The fund accounts for and reports financial resources to be used for the acquisition and construction of major capital projects of the County.



NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

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

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

The County reports the following nonmajor governmental fund:

The School Capital Projects Fund is reported as a nonmajor *capital projects fund*. The fund accounts for and reports financial resources to be used for the acquisition and construction of major capital projects of the School Board.

The County reports the following internal service fund:

*Internal Service Funds* account for the financing of goods and services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis. The Internal Service Funds consist of the School Board's Self-health Insurance Fund.

Additionally, the County reports the following fund type:

*Fiduciary funds* account for assets held by the government in a trustee capacity or as agent or custodian for individuals, private organizations, other governmental units, or other funds. Agency funds include the Special Welfare, Fringe Benefits, School Escrow, Soil Erosion Deposits and Commonwealth Attorney Collection Program funds.

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

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

1. Cash and cash equivalents and investments

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

Investments for the government, as well as for its component units, are reported at fair value. The State Treasurer's Local Government Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.



NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

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

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

**2. Receivables and payables**

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds, as reported in the fund financial statements, are offset by a fund balance nonspendable account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

**3. Property Taxes**

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Real estate taxes are payable on May 20<sup>th</sup> and November 20<sup>th</sup>. Personal property taxes are due and collectible annually on November 20<sup>th</sup>. The County bills and collects its own property taxes.

**4. Allowance for Uncollectible Accounts**

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$584,153 at June 30, 2015 and is comprised solely of property taxes.

**5. Use of Estimates**

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

**6. Capital assets**

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.



NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015**Note 1-Summary of Significant Accounting Policies: (Continued)**

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

6. Capital assets (Continued)

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

<u>Assets</u>	<u>Years</u>
Buildings	50
Building improvements	20-50
Structures, lines, and accessories	20-40
Machinery and equipment	3-30
Land improvements	10

7. 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. In accordance with the provisions of Governmental Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. The County accrues salary-related payments associated with the payment of compensated absences. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

8. Long-term obligations

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

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

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

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

9. Fund equity

The County reports fund balance in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The County of Washington, Virginia evaluated its funds at June 30, 2015 and classified fund balance into the following five categories:

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

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

Committed -amounts that have been committed (establish, modify or rescind) by formal action by the entity's "highest level of decision-making authority"; which the County of Washington, Virginia considers to be the Board of Directors.

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

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

The County's highest decision-making level is the Board of Supervisors. Action from the Board of Supervisors is required to commit or release funds from commitment.

The County's Board of Supervisors has authorized the County Administrator to assign fund balance to a specific purpose as approved within the County fund balance policy. The County considers restricted fund balance to be spent when an expenditure is incurred for purposes for which restricted and unassigned, assigned, or committed fund balances are available, unless prohibited by legal documents or contracts. When an expenditure is incurred for purposes for which committed, assigned or unassigned amounts are available, the County considers committed fund balance to be spent first, then assigned fund balance, and lastly unassigned fund balance.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

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

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

10. 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) until then. The County 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 a reduction of the net pension 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 uncollected property taxes due prior to June 30, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension liability are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on pension plan investments. For more detailed information on these items, reference the pension note.

11. Pensions

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



NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

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

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

12. Net Position

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

13. Net Position Flow Assumption

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

**Note 2-Stewardship, Compliance, and Accountability:**

A. Budgetary information

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

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



NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

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

A. Budgetary information (Continued)

6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all County units. The County's practice is to appropriate Capital Projects by Project. Several supplemental appropriations were necessary during this fiscal year.
8. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to commit that portion of the applicable appropriations, is not part of the County's accounting system.

B. Excess of expenditures over appropriations

For fiscal year 2015, no departments had an excess of expenditures over appropriations.

C. Deficit fund equity

At June 30, 2015, no funds had deficit fund equity.

**Note 3-Deposits and Investments:**

Deposits:

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

Investments:

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

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

**Note 3-Deposits and Investments: (Continued)**

Custodial Credit Risk (Investments)

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County and its discretely presented component units have an investment policy for custodial credit risk included within the County investment policy. The County's investments at June 30, 2015 were held in the County's name by the County's custodial bank. The Local Government Investment (LGIP) Pools are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Credit Risk of Debt Securities

The County's rated debt investments as of June 30, 2015 were rated by Standard and Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor's rating scale for LGIP investments and Moody's rating scale for commercial paper.

<u>County's Rated Debt Investments' Values</u>	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
LGIP	\$ 250,869

Concentration of Credit Risk

At June 30, 2015, the County did not have any investments meeting the GASB 40 definition requiring concentration of credit risk disclosures that exceeded 5% of total investments.

Interest Rate Risk

At June 30, 2015, the County did not have any investments meeting the GASB 40 definition requiring interest rate risk disclosures.

External Investment Pools

The fair value of the positions in the external investment pool (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 maintains a policy to operate in a manner consistent with SEC Rule 2a-7.

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

**Note 4-Due from Other Governmental Units:**

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

	Primary Government	Component Unit- School Board
<u>Local Government:</u>		
Southwest Virginia Regional Jail	\$ 436,788	\$ -
<u>Commonwealth of Virginia:</u>		
Local sales tax	1,175,249	-
State sales tax	-	1,377,819
Categorical aid-shared expenses	301,785	-
Categorical aid-other	42,865	406
Noncategorical aid	100,310	-
Categorical aid-VPA funds	176,384	-
Categorical aid-CSA funds	133,715	-
<u>Federal Government:</u>		
Categorical aid-VPA funds	194,588	-
Categorical aid-other	3,083	1,065,131
Totals	\$ 2,564,767	\$ 2,443,356

**Note 5-Interfund/Component-Unit Obligations:**

Fund	Due to Primary Government/ Component Unit	Due from Primary Government/ Component Unit
<u>Primary Government:</u>		
General Fund	\$ 1,309,424	\$ -
<u>Component Unit - School Board:</u>		
School Fund	\$ -	\$ 1,309,424

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

**Note 6-Long-Term Obligations:**

**Primary Government - Governmental Activities Indebtedness:**

The following is a summary of long-term obligation transactions of the County for the year ended June 30, 2015:

	Balance July 1, 2014, as restated	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2015
General Obligation bonds and note	\$ 15,176,175	\$ 1,854,000	\$ (2,980,003)	\$ 14,050,172
General Obligation bond premium	255,202	-	(20,780)	234,422
Literary loans	2,349,090	-	(282,023)	2,067,067
Lease revenue notes	12,370,000	-	(360,000)	12,010,000
Capital lease	251,113	-	(99,097)	152,016
Landfill post-closure liability	54,156	919	-	55,075
Net OPEB obligation	1,032,955	174,057	(67,700)	1,139,312
Net pension liability	9,306,594	4,003,386	(6,836,619)	6,473,361
Compensated absences	1,453,075	-	(10,402)	1,442,673
Total	\$ 42,248,360	\$ 6,032,362	\$ (10,656,624)	\$ 37,624,098

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

Year Ending June 30,	Literary Loans		GO Bonds and Note		Lease Revenue Notes	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 282,023	\$ 62,012	\$ 1,343,273	\$ 288,651	\$ 365,000	\$ 576,445
2017	282,023	53,551	1,415,646	240,330	385,000	566,589
2018	282,023	45,091	1,429,436	210,711	390,000	555,201
2019	282,023	36,630	1,453,465	180,620	405,000	542,273
2020	282,023	28,169	1,467,610	150,170	410,000	527,854
2021-2025	656,952	38,786	4,932,709	419,013	2,370,000	2,358,359
2026-2030	-	-	2,008,033	66,225	2,850,000	1,694,363
2031-2035	-	-	-	-	1,965,000	1,047,519
2036-2040	-	-	-	-	2,325,000	483,312
2041	-	-	-	-	545,000	14,988
Totals	\$ 2,067,067	\$ 264,239	\$ 14,050,172	\$ 1,555,720	\$ 12,010,000	\$ 8,366,903

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

**Note 6-Long-Term Obligations: (Continued)**

**Primary Government - Governmental Activities Indebtedness: (Continued)**

Details of long-term indebtedness:

	<u>Interest Rates</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Balance Governmental Activities</u>	<u>Amount Due Within One Year</u>
General Obligation Bonds and Note						
GO Bond	5.4-5.975%	5/18/1995	2016	\$ 1,260,000	\$ 60,000	\$ 60,000
GO Bond	5.1-6.1%	12/21/1995	2016	2,086,692	134,065	134,065
GO Bond	4.1-5.225%	5/13/1999	2020	1,400,000	350,000	70,000
GO Bond	3.1-5.35%	11/15/2001	2022	1,217,614	465,265	63,037
GO Bond	3.1-5.35%	12/23/2003	2024	972,237	476,003	49,167
GO Bond	5.05%	11/1/2007	2027	1,565,886	1,070,520	74,794
GO Bond	5.05%	11/1/2007	2027	1,204,508	823,469	57,533
GO Bond	5.05%	11/1/2007	2027	1,243,435	850,080	59,393
GO Bond	5.05%	11/1/2007	2027	989,925	676,770	47,284
Early retirement refunding note	2.50%	9/15/2014	2020	1,854,000	1,854,000	278,000
QSC Bond	5.31%	7/1/2010	2027	8,145,000	7,290,000	450,000
Total General Obligation Bonds and Note					<u>\$ 14,050,172</u>	<u>\$ 1,343,273</u>

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

**Note 6-Long-Term Obligations: (Continued)**

**Primary Government - Governmental Activities Indebtedness: (Continued)**

Details of long-term indebtedness: (Continued)

	Interest Rates	Issue Date	Maturity Date	Original Issue	Governmental Activities	Due Within One Year
<b>Literary Loans:</b>						
State Literary Fund Loan	3%	12/15/2000	2021	\$ 957,237	\$ 285,237	\$ 48,000
State Literary Fund Loan	3%	10/1/2001	2022	1,001,149	350,408	50,057
State Literary Fund Loan	3%	10/1/2001	2022	1,172,618	410,428	58,630
State Literary Fund Loan	3%	10/1/2001	2022	530,000	185,500	26,500
State Literary Fund Loan	3%	10/1/2001	2022	661,338	231,480	33,066
State Literary Fund Loan	3%	7/15/1991	2012	164,300	57,505	8,215
State Literary Fund Loan	3%	3/15/2004	2024	302,206	135,996	15,110
State Literary Fund Loan	3%	3/15/2004	2024	279,506	125,781	13,975
State Literary Fund Loan	3%	5/1/2005	2025	439,616	219,816	21,980
State Literary Fund Loan	3%	5/1/2005	2025	129,816	64,916	6,490
Total Literary Loans					\$ 2,067,067	\$ 282,023
<b>Leave Revenue Notes:</b>						
Lease Revenue Note	2% - 5%	12/16/2010	2041	\$ 4,860,000	\$ 4,100,000	\$ 200,000
Lease Revenue Note	2% - 5%	12/16/2010	2041	8,480,000	7,910,000	165,000
Total Lease Revenue Notes					\$ 12,010,000	\$ 365,000
<b>Other Obligations:</b>						
Capital lease	1.80%	9/1/2013	9/1/2016	\$ 400,000	\$ 152,016	\$ 100,889
Landfill Post-closure liability	n/a	n/a	n/a	n/a	55,075	-
Premium on \$972,237 GO bond	n/a	n/a	n/a	n/a	28,066	3,118
Premium on \$5,003,754 bonds	n/a	n/a	n/a	n/a	206,356	19,041
Net OPEB obligation	n/a	n/a	n/a	n/a	1,139,312	-
Net pension liability	n/a	n/a	n/a	n/a	6,473,361	-
Compensated Absences	n/a	n/a	n/a	n/a	1,442,673	-
Total Other Obligations					\$ 9,496,859	\$ 123,048
Total Long-term obligations					\$ 37,624,098	\$ 2,113,344

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

**Note 6-Long-Term Obligations: (Continued)**

Discretely Presented Component Unit-School Board-Indebtedness:

The following is a summary of long-term obligation transactions of the Component-Unit School Board for the year ended June 30, 2015.

	Balance July 1, 2014, as restated	Increases	Decreases	Balance June 30, 2015
Compensated absences	\$ 3,230,013	\$ 333,139	\$ -	\$ 3,563,152
Net OPEB obligation	2,738,668	657,885	(504,700)	2,891,853
Net pension liability	<u>71,366,606</u>	<u>5,606,426</u>	<u>(16,209,522)</u>	<u>60,763,510</u>
Total	<u>\$ 77,335,287</u>	<u>\$ 6,597,450</u>	<u>\$ (16,714,222)</u>	<u>\$ 67,218,515</u>

Details of long-term indebtedness:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
Other Obligations:						
Compensated absences	n/a	n/a	n/a	n/a	\$ 3,563,152	\$ -
Net OPEB obligation	n/a	n/a	n/a	n/a	2,891,853	-
Net pension liability	n/a	n/a	n/a	n/a	60,763,510	-
Total Other Obligations					<u>\$ 67,218,515</u>	<u>\$ -</u>

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

**Note 7-Capital Lease:**

**Primary Government**

The County entered into a capital lease agreement to purchase municipal software. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of their minimum lease payments at the date of inception. As of June 30, 2015, the asset related to this capital lease and accumulated depreciation is as follows:

	ERP System
Asset Cost	\$ 361,890
Accumulated Depreciation	(60,315)
Net Book Value of Asset	<u>\$ 301,575</u>

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2015, were as follows:

Year Ending June 30,	ERP System
2016	\$ 103,173
2017	<u>51,587</u>
Subtotal	\$ 154,760
Less, amount representing interest	<u>(2,744)</u>
Present Value of Lease Agreement	<u>\$ 152,016</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015**Note 8-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 Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees - Plan 1, Plan 2, and, Hybrid. Each of these benefit structures has 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
<p><b>About Plan 1</b> 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.</p>	<p><b>About Plan 2</b> 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.</p>	<p><b>About the Hybrid Retirement Plan</b> 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")</p> <ul style="list-style-type: none"> <li>• The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</li> <li>• 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.</li> </ul>



NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015**Note 8—Pension Plan: (Continued)***Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1 (Cont.)	About Plan 2 (Cont.)	About the Hybrid Retirement Plan (Cont.) <ul style="list-style-type: none"> <li>• 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.</li> </ul>
<p><b>Eligible Members</b> Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p><b>Hybrid Opt-In Election</b> VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p><b>Eligible Members</b> Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p><b>Hybrid Opt-In Election</b> Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p><b>Eligible Members</b> Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> <li>• Political subdivision employees*</li> <li>• School division employees</li> <li>• 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.</li> </ul> <p><b>*Non-Eligible Members</b> Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> <li>• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.</li> </ul>



NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015**Note 8—Pension Plan: (Continued)***Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<b>Hybrid Opt-In Election (Cont.)</b> 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.	<b>Hybrid Opt-In Election (Cont.)</b> 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.	<b>*Non-Eligible Members (Cont.)</b> Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
<b>Retirement Contributions</b> Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	<b>Retirement Contributions</b> Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.	<b>Retirement Contributions</b> 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.



NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

**Note 8—Pension Plan: (Continued)**

*Plan Description (Continued)*

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



NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015**Note 8—Pension Plan: (Continued)***Plan Description (Continued)*

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



NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

**Note 8—Pension Plan: (Continued)**

*Plan Description (Continued)*

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



NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

**Note 8—Pension Plan: (Continued)**

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<b>Calculating the Benefit (Cont.)</b> 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.	<b>Calculating the Benefit (Cont.)</b>	<b>Calculating the Benefit (Cont.)</b> <u><b>Defined Contribution Component:</b></u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
<b>Average Final Compensation</b> A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	<b>Average Final Compensation</b> A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	<b>Average Final Compensation</b> Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
<b>Service Retirement Multiplier</b> <b>VRS:</b> 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%.  <b>Sheriffs and regional jail superintendents:</b> The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.  <b>Political subdivision hazardous duty employees:</b> 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.	<b>Service Retirement Multiplier</b> <b>VRS:</b> 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.  <b>Sheriffs and regional jail superintendents:</b> Same as Plan 1.  <b>Political subdivision hazardous duty employees:</b> Same as Plan 1.	<b>Service Retirement Multiplier</b> <u><b>Defined Benefit Component:</b></u> <b>VRS:</b> 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.  <b>Sheriffs and regional jail superintendents:</b> Not applicable.  <b>Political subdivision hazardous duty employees:</b> Not applicable.  <b>Defined Contribution Component:</b> Not applicable.



NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

**Note 8—Pension Plan: (Continued)**

*Plan Description (Continued)*

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



NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015**Note 8—Pension Plan: (Continued)***Plan Description (Continued)*

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



NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015**Note 8—Pension Plan: (Continued)***Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</b></p> <p><b><u>Exceptions to COLA Effective Dates:</u></b> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> </ul> <p>The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> </ul>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</b></p> <p><b><u>Exceptions to COLA Effective Dates:</u></b> Same as Plan 1</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</b></p> <p><b><u>Exceptions to COLA Effective Dates:</u></b> Same as Plan 1 and Plan 2.</p>



NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

**Note 8—Pension Plan: (Continued)**

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Disability Coverage</b> 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.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p><b>Disability Coverage</b> 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.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p><b>Disability Coverage</b> Employees of political subdivisions and School divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>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.</p>
<p><b>Purchase of Prior Service</b> 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.</p>	<p><b>Purchase of Prior Service</b> Same as Plan 1.</p>	<p><b>Purchase of Prior Service</b> <b><u>Defined Benefit Component:</u></b> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> <li>• Hybrid Retirement Plan members are ineligible for ported service.</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> <p><b><u>Defined Contribution Component:</u></b> Not applicable.</p>



COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

**Note 8—Pension Plan: (Continued)**

*Plan Description (Continued)*

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2014-annual-report.pdf> 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, 2013 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Primary Government (1)	Component Unit School Board Nonprofessional
Inactive members or their beneficiaries currently receiving benefits	171	139
Inactive members:		
Vested inactive members	37	11
Non-vested inactive members	49	21
Inactive members active elsewhere in VRS	72	12
Total inactive members	158	44
Active members	246	96
Total covered employees	575	279

(1) Includes Component Unit Washington Park Authority

*Contributions*

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

The County's contractually required contribution rate for the year ended June 30, 2015 was 12.94% 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 (CONTINUED)  
JUNE 30, 2015

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**Note 8—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 \$1,290,757 and \$1,374,053 for the years ended June 30, 2015 and June 30, 2014, respectively.

The Component Unit Washington County Park Authority's (WCPA) contractually required contribution rate for the year ended June 30, 2015 was 12.94% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit WCPA were \$4,917 and \$5,238 for the years ended June 30, 2015 and June 30, 2014, respectively.

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2015 was 12.39% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board were \$331,326 and \$353,164 for the years ended June 30, 2015 and June 30, 2014, respectively.

*Net Pension Liability*

The County's, Component Unit WCPA's, and Component Unit School Board's (nonprofessional) net pension liabilities were measured as of June 30, 2014. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015**Note 8—Pension Plan: (Continued)***Actuarial Assumptions - General Employees (Continued)*

The total pension liability for General Employees in the County's, Component Unit WCPA, and Component Unit School Board's (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2013, 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, 2014.

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

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

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

Largest 10 - Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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



NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015**Note 8—Pension Plan: (Continued)***Actuarial Assumptions - General Employees (Continued)*

The actuarial assumptions used in the June 30, 2013 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 Washington County, Virginia's Retirement Plan was based on an actuarial valuation as of June 30, 2013, 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, 2014.

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

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

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**Note 8—Pension Plan: (Continued)**

*Actuarial Assumptions - Public Safety Employees (Continued)*

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

Largest 10 - Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2013 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



COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

**Note 8—Pension Plan: (Continued)**

*Long-Term Expected Rate of Return*

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
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	<u>100.00%</u>		<u>5.83%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>8.33%</u>

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

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

**Note 8—Pension Plan: (Continued)**

*Discount Rate*

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

*Changes in Net Pension Liability*

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2013	\$ 40,808,274	\$ 31,501,680	\$ 9,306,594
Changes for the year:			
Service cost	\$ 1,190,097	\$ -	\$ 1,190,097
Interest	2,786,695	-	2,786,695
Contributions - employer	-	1,374,053	(1,374,053)
Contributions - employee	-	504,115	(504,115)
Net investment income	-	4,958,189	(4,958,189)
Benefit payments, including refunds of employee contributions	(1,996,668)	(1,996,668)	-
Administrative expenses	-	(26,594)	26,594
Other changes	-	262	(262)
Net changes	\$ 1,980,124	\$ 4,813,357	\$ (2,833,233)
Balances at June 30, 2014	\$ 42,788,398	\$ 36,315,037	\$ 6,473,361



COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

**Note 8—Pension Plan: (Continued)**

*Changes in Net Pension Liability (Continued)*

	Component Unit Washington County Park Authority		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2013	\$ 155,573	\$ 120,094	\$ 35,479
Changes for the year:			
Service cost	\$ 4,537	\$ -	\$ 4,537
Interest	10,624	-	10,624
Contributions - employer	-	5,238	(5,238)
Contributions - employee	-	1,922	(1,922)
Net investment income	-	18,902	(18,902)
Benefit payments, including refunds of employee contributions	(7,612)	(7,612)	-
Administrative expenses	-	(101)	101
Other changes	-	1	(1)
Net changes	\$ 7,549	\$ 18,350	\$ (10,801)
Balances at June 30, 2014	\$ 163,122	\$ 138,444	\$ 24,678

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

**Note 8—Pension Plan: (Continued)**

*Changes in Net Pension Liability (Continued)*

	Component Unit School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2013	\$ 14,045,486	\$ 10,888,880	\$ 3,156,606
Changes for the year:			
Service cost	\$ 286,590	\$ -	\$ 286,590
Interest	949,439	-	949,439
Contributions - employer	-	353,164	(353,164)
Contributions - employee	-	130,716	(130,716)
Net investment income	-	1,687,553	(1,687,553)
Benefit payments, including refunds of employee contributions	(964,155)	(964,155)	-
Administrative expenses	-	(9,397)	9,397
Other changes	-	89	(89)
Net changes	\$ 271,874	\$ 1,197,970	\$ (926,096)
Balances at June 30, 2014	\$ 14,317,360	\$ 12,086,850	\$ 2,230,510

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

**Note 8—Pension Plan: (Continued)**

*Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
County			
Net Pension Liability	\$ 12,005,531	\$ 6,473,361	\$ 1,868,037
Component Unit Washington County Park Authority			
Net Pension Liability	\$ 45,769	\$ 24,678	\$ 7,122
Component Unit School Board (nonprofessional)			
Net Pension Liability	\$ 3,742,860	\$ 2,230,510	\$ 945,465

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

For the year ended June 30, 2015, the County, Component Unit WCPA, and Component Unit School Board (nonprofessional) recognized pension expense of \$747,332, \$2,849, and \$181,041, respectively. At June 30, 2015, the County, Component Unit WCPA, 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 Unit- Washington County Park Authority		Component Unit-School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 2,206,512	\$ -	\$ 8,412	\$ -	\$ 753,973
Employer contributions subsequent to the measurement date	1,290,757	-	4,719	-	331,326	-
Total	\$ 1,290,757	\$ 2,206,512	\$ 4,719	\$ 8,412	\$ 331,326	\$ 753,973



COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

**Note 8—Pension Plan: (Continued)**

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

\$1,290,757, \$4,719, and \$331,326 reported as deferred outflows of resources related to pensions resulting from the County's, Component Unit WCPA'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 year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30</u>	<u>Primary Government</u>	<u>Component Unit Washington County Park Authority</u>	<u>Component Unit School Board (nonprofessional)</u>
2016	\$ (551,628)	\$ (2,103)	\$ (188,493)
2017	(551,628)	(2,103)	(188,493)
2018	(551,628)	(2,103)	(188,493)
2019	(551,628)	(2,103)	(188,494)
Thereafter	-	-	-

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

*Contributions*

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

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

**Note 8—Pension Plan: (Continued)**

**Component Unit School Board (professional) (Continued)**

*Contributions (Continued)*

Each School Division's contractually required contribution rate for the year ended June 30, 2015 was 14.50% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. The actuarial rate for the Teacher Retirement Plan was 18.20%. 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. 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, 2015. Contributions to the pension plan from the School Board were \$4,960,000 and \$4,135,000 for the years ended June 30, 2015 and June 30, 2014, respectively.

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

At June 30, 2015, the school division reported a liability of \$58,533,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2014 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, 2014 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2014, the school division's proportion was 0.48436% as compared to 0.49514% at June 30, 2013.

For the year ended June 30, 2015, the school division recognized pension expense of \$4,361,000. Since there was a change in proportionate share between June 30, 2013 and June 30, 2014, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2015, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 8,687,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	1,216,000
Employer contributions subsequent to the measurement date	<u>4,960,000</u>	<u>-</u>
Total	\$ <u>4,960,000</u>	\$ <u>9,903,000</u>



NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015**Note 8—Pension Plan: (Continued)****Component Unit School Board (professional) (Continued)***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)*

\$4,960,000 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 year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30</u>	<u>Component Unit School Board (professional)</u>
2016	\$ (2,441,000)
2017	(2,441,000)
2018	(2,441,000)
2019	(2,441,000)
Thereafter	(139,000)

*Actuarial Assumptions*

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2013, 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, 2014.

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

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



NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

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**Note 8—Pension Plan: (Continued)**

**Component Unit School Board (professional) (Continued)**

*Actuarial Assumptions (Continued)*

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2013 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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015**Note 8—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:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
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	<u>100.00%</u>		<u>5.83%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>8.33%</u>

\* 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 (CONTINUED)  
JUNE 30, 2015**Note 8—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	\$ 85,951,000	\$ 58,533,000	\$ 35,960,000

*Pension Plan Fiduciary Net Position*

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2014 Comprehensive Annual Financial Report (CAFR). A copy of the 2014 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2014-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.



NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

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**Note 9-Other Postemployment Benefits - Health Insurance:**

**A. Plan Description**

The County's Retiree Medical Program (the "Program") is a single-employer defined benefit healthcare plan administered by the County. The Program provides health insurance benefits to eligible retirees and their spouses. To be eligible as a retiree from the County, employees must be a full-time employee who retires directly from the County and is eligible to receive an early or regular retirement benefit from VRS. Retirees of the Public Schools must also be employed for at least ten consecutive years. The benefit provisions, including employer and employee contributions, are governed by County and can be amended through County Board action. The Program does not issue a publicly available financial report.

**B. Funding Policy**

The Washington County Government establishes employer medical contribution rates for all medical 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 be partially funded or fully funded in the upcoming fiscal year. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the County. For fiscal year 2014, the County and the Schools Continued to follow the pay-as-you-go basis with no pre-funding.

Retirees of the County who had fifteen years of continuous full-time employment with Washington County and were enrolled in the County's health insurance program for at least three years receive \$45 per month from the County. All other retired government employees who participate in the retiree medical plan pay the entire blended active and early retiree rate to continue coverage.

Retired school employees who participate in the retiree medical and dental plans pay the entire blended active and early retiree rate to continue coverage with the exception of a \$125 per month school board supplement for employees electing the Supplemental Retirement Program. This benefit is available to the employee for 5-7 years.

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

**Note 9-Other Postemployment Benefits - Health Insurance: (Continued)**

B. Funding Policy (Continued)

The following are the 2015 blended medical rates for active employees and early retirees:

County:

<u>Medical Option</u>	Monthly Premiums		
	EE/RE only	EE/RE plus Dependent	Family
Ket Advantage 500	\$ 430	\$ 796	\$ 1,161
Ket Advantage 200	460	851	1,242
Advantage 65	190	380	n/a

School Board:

<u>Medical Option</u>	Monthly Premiums				
	EE/RE only	EE/RE plus Child	EE/RE plus Children	EE/RE plus Spouse	Family
Anthem Key Care 25	\$ 613	\$ 1,040	\$ 1,171	\$ 1,287	\$ 1,713
Anthem Key Care 30/1000	600	1,018	1,146	1,259	1,678
Anthem Key Care 30/2000	574	972	1,096	1,204	1,603
Lumenos HAS	457	775	877	960	1,278

EE/RE: Employee/Retiree

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

**Note 9-Other Postemployment Benefits - Health Insurance: (Continued)**

C. Annual OPEB Cost and Net OPEB Obligation

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

	County	School Board	Total
Annual required contribution	\$ 176,100	\$ 663,300	\$ 839,400
Interest on net OPEB obligation	36,153	95,853	132,006
Adjustment to annual required contribution	(38,196)	(101,268)	(139,464)
Annual OPEB cost (expense)	174,057	657,885	831,942
Contributions made	(67,700)	(504,700)	(572,400)
Increase in net OPEB obligation	106,357	153,185	259,542
Net OPEB obligation - beginning of year	1,032,955	2,738,668	3,771,623
Net OPEB obligation - end of year	\$ 1,139,312	\$ 2,891,853	\$ 4,031,165

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2015	\$ 174,057	39%	\$ 1,139,312
6/30/2014	166,569	36%	1,032,955
6/30/2013	347,927	30%	926,586

The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2015	\$ 657,885	77%	\$2,891,853
6/30/2014	639,627	81%	2,738,668
6/30/2013	1,546,283	44%	2,616,441



NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

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**Note 9-Other Postemployment Benefits - Health Insurance: (Continued)**

**D. Funded Status and Funding Progress**

County:

As of June 30, 2014, the most recent actuarial valuation date, the actuarial accrued liabilities (AAL) were \$1,661,900, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$9,563,000, and the ratio of the UAAL to the covered payroll was 17.38%.

School Board:

As of June 30, 2014, the most recent actuarial valuation date, the actuarial accrued liabilities (AAL) were \$6,928,300, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$39,178,800, and ratio of the UAAL to the covered payroll was 17.68%.

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 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 multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**E. Actuarial Methods and Assumptions**

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

In the June 30, 2014 most recent actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 3.5 percent investment rate of return per annum and payroll growth of 3.0%. Also, a medical cost trend rate of 5.8% graded to 4.5% over 69 years is used for the County and a rate of 5.8% graded to 4.4% over 56 years is used for the School Board. The UAAL is being amortized as a level percentage over the remaining amortization period, which at June 30, 2014, was 30 years.



NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

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**Note 10-VRS Health Insurance Credit - Other Postemployment Benefits:**

**A. Plan Description**

The County and School Board participate 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 or School Board, 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 Code of Virginia. 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 8.

**B. Funding Policy**

As a participating local political subdivision, the County and School Board are required to contribute the entire amount necessary to fund participation in the program using the actuarial basis specified by the Code of Virginia and the VRS Board of Trustees. The County and School Board's contribution rate for the fiscal year ended 2014 was 0.11% and 0.71%, respectively, 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 locality 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.



COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015

**Note 10-VRS Health Insurance Credit - Other Postemployment Benefits: (Continued)**

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

For 2015, the County and School Board's contribution of \$3,232 and \$18,986, respectively, was equal to the ARC and OPEB cost. The County and School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and preceding two years are as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost (ARC)</u>	<u>Percentage of ARC Contributed</u>	<u>Net OPEB Obligation</u>
County:			
June 30, 2015	\$ 3,232	100%	-
June 30, 2014	1,231	100%	-
June 30, 2013	2,049	100%	-
School Board:			
June 30, 2015	\$ 18,986	100%	-
June 30, 2014	22,415	100%	-
June 30, 2013	23,345	100%	-

**D. Funded Status and Funding Progress**

The funded status of the plan as of June 30, 2014, the most recent actuarial valuation date, is as follows:

	<u>County</u>	<u>School Board</u>
Actuarial accrued liability (AAL)	\$ 193,179	\$ 324,789
Actuarial value of plan assets	\$ 221,738	\$ 28,662
Unfunded actuarial accrued liability (UAAL)	\$ (28,559)	\$ 296,127
Funded ratio (actuarial value of plan assets/AAL)	114.78%	8.82%
Covered payroll (active plan members)	\$ 3,095,644	\$ 2,583,182
UAAL as a percentage of covered payroll	-0.92%	11.46%

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.



NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

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**Note 10-VRS Health Insurance Credit - Other Postemployment Benefits: (Continued)****D. Funded Status and Funding Progress (Continued)**

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 payroll on an open basis. The remaining open amortization period at June 30, 2014 was 20-29 years.

The Retiree Health Insurance Credit benefit is based on a member's employer eligibility and his or her years of service. The monthly maximum credit amount cannot exceed the member's actual health insurance premium costs. The actuarial valuation for this plan assumes the maximum credit is payable for each eligible member. Since this benefit is a flat dollar amount multiplied by years of service and the maximum benefit is assumed, no assumption relating to healthcare cost trend rates is needed or applied.

**F. Professional Employees - Discretely Presented Component Unit School Board****Plan Description**

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.

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.



COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

**Note 10-VRS Health Insurance Credit - Other Postemployment Benefits: (Continued)**

F. Professional Employees - Discretely Presented Component Unit School Board (Continued)

Funding Policy

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 year ended June 30, 2015 was \$363,417 and equaled the required contributions.

**Note 11-Capital Assets:**

Capital asset activity for the year ended June 30, 2015 was as follows:

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,926,515	\$ -	\$ (39,058)	\$ 1,887,457
Construction in progress	285,938	159,753	(370,003)	75,688
Total capital assets not being depreciated	<u>\$ 2,212,453</u>	<u>\$ 159,753</u>	<u>\$ (409,061)</u>	<u>\$ 1,963,145</u>
Capital assets, being depreciated:				
Buildings	\$ 37,766,255	\$ 135,436	\$ (397,587)	\$ 37,504,104
Improvements other than buildings	178,924	-	(7,550)	171,374
Machinery and equipment	9,698,791	887,530	(604,380)	9,981,941
Total capital assets being depreciated	<u>\$ 47,643,970</u>	<u>\$ 1,022,966</u>	<u>\$ (1,009,517)</u>	<u>\$ 47,657,419</u>
Accumulated depreciation:				
Buildings	\$ (6,597,257)	\$ (763,448)	\$ 305,391	\$ (7,055,314)
Improvements other than buildings	(150,923)	(8,016)	7,550	(151,389)
Machinery and equipment	(8,315,807)	(600,347)	604,380	(8,311,774)
Total accumulated depreciation	<u>\$ (15,063,987)</u>	<u>\$ (1,371,811)</u>	<u>\$ 917,321</u>	<u>\$ (15,518,477)</u>
Total capital assets being depreciated, net	<u>\$ 32,579,983</u>	<u>\$ (348,845)</u>	<u>\$ (92,196)</u>	<u>\$ 32,138,942</u>
Governmental activities capital assets, net	<u>\$ 34,792,436</u>	<u>\$ (189,092)</u>	<u>\$ (501,257)</u>	<u>\$ 34,102,087</u>

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

**Note 11-Capital Assets:**

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

Governmental activities:	
General government administration	\$ 132,900
Judicial administration	12,619
Public safety	358,847
Public works	393,322
Health and welfare	27,380
Education	364,805
Parks, recreation, and cultural	<u>81,938</u>
Total depreciation expense-primary government	\$ <u>1,371,811</u>

Capital asset activity for the School Board for the year ended June 30, 2015 was as follows:

Discretely Presented Component Unit:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 3,029,475	\$ -	\$ -	\$ 3,029,475
Construction in progress	14,779	53,147	(16,592)	51,334
Total capital assets not being depreciated	<u>\$ 3,044,254</u>	<u>\$ 53,147</u>	<u>\$ (16,592)</u>	<u>\$ 3,080,809</u>
Capital assets, being depreciated:				
Buildings	\$ 40,765,784	\$ 663,861	\$ -	\$ 41,429,645
Machinery and equipment	19,571,285	1,273,610	(393,886)	20,451,009
Total capital assets being depreciated	<u>\$ 60,337,069</u>	<u>\$ 1,937,471</u>	<u>\$ (393,886)</u>	<u>\$ 61,880,654</u>
Accumulated depreciation:				
Buildings	\$ (31,536,973)	\$ (810,892)	\$ -	\$ (32,347,865)
Machinery and equipment	(13,883,839)	(1,502,184)	386,826	(14,999,197)
Total accumulated depreciation	<u>\$ (45,420,812)</u>	<u>\$ (2,313,076)</u>	<u>\$ 386,826</u>	<u>\$ (47,347,062)</u>
Total capital assets being depreciated, net	<u>\$ 14,916,257</u>	<u>\$ (375,605)</u>	<u>\$ (7,060)</u>	<u>\$ 14,533,592</u>
Governmental activities capital assets, net	<u>\$ 17,960,511</u>	<u>\$ (322,458)</u>	<u>\$ (23,652)</u>	<u>\$ 17,614,401</u>

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

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**Note 12-Risk Management:**

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

**Note 13-Contingent Liabilities:**

Federal programs in which the County and its component units participate were audited in accordance with the provisions of U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. 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 14-Surety Bonds:**

Primary Government:

<u>Fidelity &amp; Deposit Company of Maryland-Surety:</u>	
Patricia S. Moore, Clerk of the Circuit Court	\$ 330,000
Fred W. Parker, Treasurer	750,000
Layton David Henry, Commissioner of the Revenue	3,000
Fred P. Newman, Sheriff	30,000
All constitutional officers: blanket bond	50,000
 <u>Virginia Association of Counties</u>	
All Social Services employees: blanket bond	\$ 250,000
All County employees-blanket bond	250,000



NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015**Note 14-Surety Bonds: (Continued)**

Component Unit - School Board:

<u>Fidelity &amp; Deposit Company of Maryland-Surety:</u>	
All School Board employees: blanket bond	\$ 100,000
<u>Travelers-Surety:</u>	
Melissa W. Caudill, Clerk of the School Board	\$ 10,000
<u>United States Fidelity and Guaranty Company-Surety:</u>	
Deputy Clerk of the School Board	\$ 10,000
Textbook Clerk	10,000
Dr. Brian Ratliff, Superintendent of Schools	10,000

**Note 15-Landfill Liability:**

State and federal laws and regulations required the County to place a final cover on its landfill site which was closed on March 20, 1995, and to perform certain maintenance and monitoring functions at the site for ten years after closure. While the County has completed its required 10 year monitoring period, its landfill has not been released from (Department of Environmental Quality) DEQ monitoring requirements. The \$55,075 liability is the total estimated post-closure care liability at June 30, 2015 and represents what it would cost to perform all post-closure care in 2015. Actual costs for post-closure monitoring may change due to inflation, deflation, changes in technology or changes in regulations. The County uses the Commonwealth of Virginia's financial assurance mechanism to meet the DEQ's assurance requirements for landfill post-closure costs.

The County demonstrated financial assurance requirements for closure, post-closure care, and corrective action costs through the submission of a Local Governmental Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VA C20-70 of the Virginia Administrative Code.

**Note 16-School Board Early Retirement Incentive Program:**

SunTrust administers an early retirement incentive program for the Component Unit - School Board employees. Early retirement is available to those contracted employees who are members of the Virginia Retirement System (VRS) and are eligible to retire with the VRS. The employee must have been employed with Washington County School System for 10 consecutive years, immediately preceding retirement and must not be eligible for disability retirement benefits from the VRS and/or Social Security. Finally, participants must be approved by the School Board and must have a bonafide separation from service of at least 30 days. The program allows for several different methods of payment depending upon the number of months the participant wishes to be paid. The School Board reserves the right to amend or terminate the program.



COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

**Note 17 - Unavailable 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. Unavailable revenue totaling \$15,880,554 is comprised of the following:

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2015, but paid in advance by the taxpayers totaled \$567,137 at June 30, 2015.

Property Taxes Receivable - Taxes billed and due prior to June 30, 2015, less amounts received 60 days after the period end totaled \$3,639,653 at June 30, 2015. Taxes assessed due subsequent to June 30, 2015 totaled \$11,673,764.

**Note 18 - Self Health Insurance:**

The County of Washington, Virginia established a limited risk management program for health insurance. Premiums are paid into the health plan fund from the County and are available to pay claims, and administrative costs of the program. During the fiscal year 2015, a total of 8,639,087 was paid in benefits and administrative costs. The risk assumed by the County is based on the number of participants in the program. The risk varies by the number of participants and their specific plan type (Keycare, Bluecare, etc.). Incurred but not reported claims of \$728,761 have been accrued as a liability based primarily on actual cost incurred prior to June 30 but paid after year-end. Interfund premiums are based primarily upon the insured funds' claims experience and are reported as quasi-external interfund transactions. Changes in the claims liability during fiscal year 2015 were as follows:

<u>Fiscal Year</u>	<u>Balance at Beginning of Fiscal Year</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at End of Fiscal Year</u>
2014-15	\$ <u>776,890</u>	\$ <u>8,590,958</u>	\$ <u>(8,639,087)</u>	\$ <u>728,761</u>

**Note 19 - Litigation:**

As of June 30, 2015, there were no matters of litigation involving the County which would materially affect the County's financial position should a court decision on pending matters not be favorable.

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

**Note 20 - Fund Balance:**

	General Fund	County Capital Improvements	School Capital Improvements	School Fund
Nonspendable:				
Prepaid items	\$ 60,752	\$ -	\$ -	\$ -
Restricted:				
Forfeited Asset Sharing	\$ 275,811	\$ -	\$ -	\$ -
Health Insurance	251,738	-	-	-
Capital Improvements	-	1,295,876	873,795	-
	<u>\$ 527,549</u>	<u>\$ 1,295,876</u>	<u>\$ 873,795</u>	<u>\$ -</u>
Committed:				
Road Improvements	\$ 326,046	\$ -	\$ -	\$ -
Cash Flows	5,000,000	-	-	-
	<u>\$ 5,326,046</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Assigned:				
Economic Development	\$ 300,000	\$ -	\$ -	\$ -
Traffic Enforcement	478,878	-	-	-
School Board	-	-	-	2,051,158
School Capital Needs	11,401	-	-	-
	<u>\$ 790,279</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,051,158</u>

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

**Note 21—Adoption of Accounting Principles:**

**Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*:**

The County implemented the financial reporting provisions of the above Statements for the fiscal year ended June 30, 2015. These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. Note disclosure and required supplementary information requirements about pensions are also addressed. The requirements of these Statements will improve financial reporting by improving accounting and financial reporting by state and local governments for pensions. The implementation of these Statements resulted in the following restatement of net position:

	Governmental Activities	Component Unit School Board
Net Position as reported at June 30, 2014	\$ 30,778,905	\$ 16,220,744
Implementation of GASB 68	(7,932,541)	(66,878,442)
Net Position as restated at June 30, 2014	<u>\$ 22,846,364</u>	<u>\$ (50,657,698)</u>

**Note 22—Upcoming Pronouncements:**

Statement No. 72, *Fair Value Measurement and Application*, amends the definitions of fair value used throughout GASB literature to be consistent with the definition and principles provided in FASB Accounting Standards Codification Topic 820, *Fair Value Measurement*. This Statement provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. No formal study or estimate of the impact of this standard has been performed.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

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**Note 22—Upcoming Pronouncements: (Continued)**

Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68 and amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. The requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. No formal study or estimate of the impact of this standard has been performed.

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. No formal study or estimate of the impact of this standard has been performed.

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. No formal study or estimate of the impact of this standard has been performed.

Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, objective is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. No formal study or estimate of the impact of this standard has been performed.



NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015

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**Note 22—Upcoming Pronouncements: (Continued)**

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. No formal study or estimate of the impact of this standard has been performed.



## Required Supplementary Information



County of Washington, Virginia  
General Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
<b>REVENUES</b>				
General property taxes	\$ 36,108,770	\$ 36,108,770	\$ 35,818,485	\$ (290,285)
Other local taxes	9,287,500	9,287,500	9,294,629	7,129
Permits, privilege fees, and regulatory licenses	119,750	119,750	187,014	67,264
Fines and forfeitures	818,985	926,064	1,021,836	95,772
Revenue from the use of money and property	140,000	140,000	119,508	(20,492)
Charges for services	653,750	653,750	655,661	1,911
Miscellaneous	868,601	926,144	937,614	11,470
Recovered costs	967,299	1,017,040	673,230	(343,810)
Intergovernmental:				
Commonwealth	11,759,214	12,252,589	11,310,028	(942,561)
Federal	2,681,908	3,083,095	2,695,385	(387,710)
Total revenues	<u>\$ 63,405,777</u>	<u>\$ 64,514,702</u>	<u>\$ 62,713,390</u>	<u>\$ (1,801,312)</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 3,351,620	\$ 3,452,073	\$ 3,221,950	\$ 230,123
Judicial administration	1,613,148	1,863,760	1,624,187	239,573
Public safety	11,199,433	12,212,073	11,496,109	715,964
Public works	3,587,235	3,759,138	3,472,833	286,305
Health and welfare	8,945,934	9,005,934	7,963,697	1,042,237
Education	28,786,394	29,802,624	27,328,144	2,474,480
Parks, recreation, and cultural	2,160,224	2,318,448	2,114,710	203,738
Community development	2,363,001	3,506,574	2,277,067	1,229,507
Nondepartmental	519,105	403,171	474,926	(71,755)
Debt service:				
Principal retirement	1,838,587	1,838,587	1,913,959	(75,372)
Interest and other fiscal charges	1,536,744	1,724,357	1,218,636	505,721
Total expenditures	<u>\$ 65,901,425</u>	<u>\$ 69,886,739</u>	<u>\$ 63,106,218</u>	<u>\$ 6,780,521</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (2,495,648)</u>	<u>\$ (5,372,037)</u>	<u>\$ (392,828)</u>	<u>\$ 4,979,209</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	\$ (353,917)	\$ (487,995)	\$ (487,995)	\$ -
Issuance of general obligation refunding bond	-	-	1,854,000	1,854,000
Current refunding of bonds	-	-	(1,807,164)	(1,807,164)
Total other financing sources (uses)	<u>\$ (353,917)</u>	<u>\$ (487,995)</u>	<u>\$ (441,159)</u>	<u>\$ 46,836</u>
Net change in fund balances	<u>\$ (2,849,565)</u>	<u>\$ (5,860,032)</u>	<u>\$ (833,987)</u>	<u>\$ 5,026,045</u>
Fund balances - beginning	2,849,565	5,860,032	23,184,749	17,324,717
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,350,762</u>	<u>\$ 22,350,762</u>



County of Washington, Virginia  
Schedule of OPEB Funding Progress  
For the Year Ended June 30, 2015

Primary Government:  
County Post-Retirement Medical Plan:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2014	\$ -	\$ 1,661,900	\$ 1,661,900	0.00%	\$ 9,563,000	17.38%
July 1, 2012	-	2,883,248	2,883,248	0.00%	8,551,054	33.72%
July 1, 2010	-	2,085,032	2,085,032	0.00%	8,764,831	23.79%

County VRS Health Insurance Credit:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2014	\$ 221,738	\$ 193,179	\$ (28,559)	114.78%	\$ 3,095,644	-0.92%
June 30, 2013	202,883	200,214	(2,669)	101.33%	3,132,360	-0.09%
June 30, 2012	190,552	204,783	14,231	93.05%	2,801,664	0.51%

Discretely Presented Component Unit:  
School Board Post-Retirement Medical Plan:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2014	\$ -	\$ 6,928,300	\$ 6,928,300	0.00%	\$ 39,178,800	17.68%
July 1, 2012	-	15,543,864	15,543,864	0.00%	38,697,882	40.17%
July 1, 2010	-	12,434,361	12,434,361	0.00%	39,665,329	31.35%

School Board Non-Professional VRS Health Insurance Credit:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2014	\$ 28,662	\$ 324,789	\$ 296,127	8.82%	\$ 2,583,182	11.46%
June 30, 2013	30,476	313,285	282,809	9.73%	2,705,962	10.45%
June 30, 2012	26,459	319,369	292,910	8.28%	2,443,498	11.99%



County of Washington, Virginia  
Schedule of Components of and Changes in Net Pension Liability and Related Ratios  
Primary Government  
For the Year Ended June 30, 2015

	<u>2014</u>
Total pension liability	
Service cost	\$ 1,190,097
Interest	2,786,695
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	-
Benefit payments, including refunds of employee contributions	(1,996,668)
Net change in total pension liability	\$ 1,980,124
Total pension liability - beginning	40,808,274
Total pension liability - ending (a)	<u>\$ 42,788,398</u>
Plan fiduciary net position	
Contributions - employer	\$ 1,374,053
Contributions - employee	504,115
Net investment income	4,958,189
Benefit payments, including refunds of employee contributions	(1,996,668)
Administrative expense	(26,594)
Other	262
Net change in plan fiduciary net position	\$ 4,813,357
Plan fiduciary net position - beginning	31,501,680
Plan fiduciary net position - ending (b)	<u>\$ 36,315,037</u>
County/City/Town's net pension liability - ending (a) - (b)	\$ 6,473,361
Plan fiduciary net position as a percentage of the total pension liability	84.87%
Covered-employee payroll	\$ 9,916,118
County's net pension liability as a percentage of covered-employee payroll	65.28%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.



County of Washington, Virginia  
Schedule of Components of and Changes in Net Pension Liability and Related Ratios  
Component Unit Washington County Park Authority  
For the Year Ended June 30, 2015

	<u>2014</u>
Total pension liability	
Service cost	\$ 4,537
Interest	10,624
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	-
Benefit payments, including refunds of employee contributions	(7,612)
Net change in total pension liability	\$ 7,549
Total pension liability - beginning	155,573
Total pension liability - ending (a)	<u>\$ 163,122</u>
Plan fiduciary net position	
Contributions - employer	\$ 5,238
Contributions - employee	1,922
Net investment income	18,902
Benefit payments, including refunds of employee contributions	(7,612)
Administrative expense	(101)
Other	1
Net change in plan fiduciary net position	\$ 18,350
Plan fiduciary net position - beginning	120,094
Plan fiduciary net position - ending (b)	<u>\$ 138,444</u>
Component Unit WCPA's net pension liability - ending (a) - (b)	\$ 24,678
Plan fiduciary net position as a percentage of the total pension liability	84.87%
Covered-employee payroll	\$ 37,950
Component Unit WCPA's net pension liability as a percentage of covered-employee payroll	65.03%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.



County of Washington, Virginia  
Schedule of Components of and Changes in Net Pension Liability and Related Ratios  
Component Unit School Board (nonprofessional)  
For the Year Ended June 30, 2015

	<u>2014</u>
Total pension liability	
Service cost	\$ 286,590
Interest	949,439
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	-
Benefit payments, including refunds of employee contributions	(964,155)
Net change in total pension liability	\$ 271,874
Total pension liability - beginning	14,045,486
Total pension liability - ending (a)	<u>\$ 14,317,360</u>
Plan fiduciary net position	
Contributions - employer	\$ 353,164
Contributions - employee	130,716
Net investment income	1,687,553
Benefit payments, including refunds of employee contributions	(964,155)
Administrative expense	(9,397)
Other	89
Net change in plan fiduciary net position	\$ 1,197,970
Plan fiduciary net position - beginning	10,888,880
Plan fiduciary net position - ending (b)	<u>\$ 12,086,850</u>
School Division's net pension liability - ending (a) - (b)	\$ 2,230,510
Plan fiduciary net position as a percentage of the total pension liability	84.42%
Covered-employee payroll	\$ 2,617,034
School Division's net pension liability as a percentage of covered-employee payroll	85.23%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.



County of Washington, Virginia  
Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan  
For the Year Ended June 30, 2015\*

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	<u>2015</u>
Employer's Proportion of the Net Pension Liability (Asset)	0.48436%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 58,533,000
Employer's Covered-Employee Payroll	34,284,601
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	170.73%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.88%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other

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



County of Washington, Virginia  
Schedule of Employer Contributions  
For the Year Ended June 30, 2015

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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)
<b>Primary Government</b>					
2015	\$ 1,290,757	\$ 1,290,757	\$ -	\$ 9,974,884	12.94%
<b>Component Unit Washington County Park Authority</b>					
2015	\$ 4,719	\$ 4,719	\$ -	\$ 38,029	12.41%
<b>Component Unit School Board (nonprofessional)</b>					
2015	\$ 331,326	\$ 331,326	\$ -	\$ 2,674,140	12.39%
<b>Component Unit School Board (professional)</b>					
2015	\$ 4,960,000	\$ 4,960,000	\$ -	\$ 34,284,601	14.47%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.



County of Washington, Virginia  
Notes to Required Supplementary Information  
June 30, 2015

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Changes of benefit terms - There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

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



## Other Supplementary Information



County of Washington, Virginia  
 Capital Projects Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 For the Year Ended June 30, 2015

	County Capital Improvements Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
Current:				
Public safety	\$ 160,000	\$ 160,000	\$ 160,000	\$ -
Public works	99,300	123,105	32,464	90,641
Parks, recreation, and cultural	-	46,800	118,834	(72,034)
Community development	-	-	88,930	(88,930)
Capital projects	-	76,096	-	76,096
Total expenditures	<u>\$ 259,300</u>	<u>\$ 406,001</u>	<u>\$ 400,228</u>	<u>\$ 5,773</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (259,300)</u>	<u>\$ (406,001)</u>	<u>\$ (400,228)</u>	<u>\$ 5,773</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 37,995	\$ 37,995	\$ 37,995	\$ -
Total other financing sources (uses)	<u>\$ 37,995</u>	<u>\$ 37,995</u>	<u>\$ 37,995</u>	<u>\$ -</u>
Net change in fund balances	\$ (221,305)	\$ (368,006)	\$ (362,233)	\$ 5,773
Fund balances - beginning	221,305	368,006	1,658,109	1,290,103
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,295,876</u>	<u>\$ 1,295,876</u>



County of Washington, Virginia  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
School Capital Projects Fund  
For the Year Ended June 30, 2015

	School Capital Projects Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 1,100	\$ 1,100	\$ -	\$ (1,100)
Total revenues	\$ 1,100	\$ 1,100	\$ -	\$ (1,100)
EXPENDITURES				
Current:				
Education	\$ 435,000	\$ 1,587,978	\$ 714,183	\$ 873,795
Total expenditures	\$ 435,000	\$ 1,587,978	\$ 714,183	\$ 873,795
Excess (deficiency) of revenues over (under) expenditures	\$ (433,900)	\$ (1,586,878)	\$ (714,183)	\$ 872,695
OTHER FINANCING SOURCES (USES)				
Transfers in	315,922	450,000	450,000	-
Total other financing sources (uses)	\$ 315,922	\$ 450,000	\$ 450,000	\$ -
Net change in fund balances	\$ (117,978)	\$ (1,136,878)	\$ (264,183)	\$ 872,695
Fund balances - beginning	117,978	1,136,878	1,137,978	1,100
Fund balances - ending	\$ -	\$ -	\$ 873,795	\$ 873,795



#### **FIDUCIARY FUNDS**

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

Fringe Benefits - The Fringe Benefits fund accounts for those funds belonging to County employees.



County of Washington, Virginia  
Combining Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2015

	Agency Funds					Total
	Special Welfare	Fringe Benefits	Soil Erosion Deposits	Commonwealth Attorney Collection Program	School Escrow	
<b>ASSETS</b>						
Cash and cash equivalents	\$ 116,161	\$ 31,559	\$ 9,819	\$ 159,386	6,958	\$ 323,883
Cash in custody of others	6,161	-	-	-	-	6,161
Accounts receivable	3,500	-	-	4,419	-	7,919
Total assets	<u>\$ 125,822</u>	<u>\$ 31,559</u>	<u>\$ 9,819</u>	<u>\$ 163,805</u>	<u>\$ 6,958</u>	<u>\$ 337,963</u>
<b>LIABILITIES</b>						
Amounts held for social services clients	\$ 125,822	\$ -	\$ -	\$ -	\$ -	\$ 125,822
Amounts held for County employee fringe benefits	-	31,559	-	-	-	31,559
Amounts held for soil erosion deposits	-	-	9,819	-	-	9,819
Amounts held for commonwealth attorney collection program	-	-	-	163,805	-	163,805
Amounts held for school escrow	-	-	-	-	6,958	6,958
Total liabilities	<u>\$ 125,822</u>	<u>\$ 31,559</u>	<u>\$ 9,819</u>	<u>\$ 163,805</u>	<u>\$ 6,958</u>	<u>\$ 337,963</u>



County of Washington, Virginia  
Combining Statement of Changes in Assets and Liabilities  
Agency Funds  
June 30, 2015

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents				
Special Welfare	\$ 157,538	\$ 82,605	\$ (117,821)	\$ 122,322
Fringe Benefits	31,598.00	58,990	(59,029)	31,559
Soil Erosion Deposits	6,531	3,288	-	9,819
Commonwealth Attorney Collection Program	154,517	161,964	(157,095)	159,386
School Escrow	-	6,958	-	6,958
Total cash and cash equivalents	<u>\$ 350,184</u>	<u>\$ 313,805</u>	<u>\$ (333,945)</u>	<u>\$ 330,044</u>
Accounts receivable				
Special Welfare	\$ 3,500	\$ -	\$ -	\$ 3,500
Commonwealth Attorney Collection Program	6,215	-	(1,796)	4,419
Total accounts receivable	<u>\$ 9,715</u>	<u>\$ -</u>	<u>\$ (1,796)</u>	<u>\$ 7,919</u>
Total Assets	<u>\$ 359,899</u>	<u>\$ 313,805</u>	<u>\$ (335,741)</u>	<u>\$ 337,963</u>
<b>Liabilities</b>				
Amounts held for social services clients	\$ 161,038	\$ 82,605	\$ (117,821)	\$ 125,822
Amounts held for County employees	31,598	58,990	(59,029)	31,559
Amounts held for soil erosion deposits	6,531	3,288	-	9,819
Amounts held for Commonwealth Attorney	160,732	161,964	(158,891)	163,805
Amounts held for school escrow	-	6,958	-	6,958
Total Liabilities	<u>\$ 359,899</u>	<u>\$ 313,805</u>	<u>\$ (335,741)</u>	<u>\$ 337,963</u>



## **DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**

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### **MAJOR GOVERNMENTAL FUNDS**

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

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County of Washington, Virginia  
Balance Sheet  
Discretely Presented Component Unit - School Board  
June 30, 2015

	School Operating <u>Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 2,051,158
Accounts receivable	302,645
Due from primary government	1,309,424
Due from other governmental units	2,443,356
Total assets	<u>\$ 6,106,583</u>
<b>LIABILITIES AND FUND BALANCES</b>	
Liabilities:	
Accounts payable	\$ 289,271
Accrued wages	3,766,154
Total liabilities	<u>\$ 4,055,425</u>
Fund balances:	
Assigned	\$ 1,786,404
Unassigned	264,754
Total fund balances	<u>\$ 2,051,158</u>
Total liabilities and fund balances	<u>\$ 6,106,583</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:	
Total fund balances per above	\$ 2,051,158
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Land	\$ 3,029,475
Buildings and system	9,081,780
Machinery and equipment	5,451,812
Construction in progress	<u>51,334</u>
	17,614,401
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	
Items related to measurement of net pension liability	\$ (9,440,973)
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>(1,216,000)</u>
	(10,656,973)
Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds.	
	5,291,326
Certain items reported as expenditures in the fund statements are deferred and shown as assets on the statement of net position.	
Prepaid items	610,056
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	
	2,471,917
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	
Net OPEB obligation	\$ (2,891,853)
Net pension liability	(60,763,510)
Compensated absences	<u>(3,563,152)</u>
	(67,218,515)
Net position of governmental activities	<u>\$ (49,836,630)</u>



County of Washington, Virginia  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds - Discretely Presented Component Unit - School Board  
For the Year Ended June 30, 2015

	School Operating <u>Fund</u>
REVENUES	
Revenue from the use of money and property	\$ 9,809
Charges for services	2,543,155
Miscellaneous	1,343,491
Recovered costs	95,000
Intergovernmental:	
Local government	27,243,617
Commonwealth	38,226,108
Federal	6,078,907
Total revenues	<u>\$ 75,540,087</u>
EXPENDITURES	
Current:	
Education	<u>\$ 75,275,333</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 264,754</u>
Net change in fund balances	\$ 264,754
Fund balances - beginning	1,786,404
Fund balances - ending	<u>\$ 2,051,158</u>
Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:	
Net change in fund balances - total governmental funds - per above	\$ 264,754
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation exceeded capital outlays in the current period.	
Capital Outlay	\$ 1,974,026
Depreciation Expense	<u>(2,313,076)</u> (339,050)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.	(7,060)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(10,656,973)
Certain items reported as expenditures in the fund statements are deferred and shown as assets on the statement of net position.	134,143
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.	
Change in compensated absences	\$ (333,139)
Change in net pension liability	10,603,096
Change in deferred outflows related to pension payments subsequent to the measurement date	803,162
Change in net OPEB obligation	<u>(153,185)</u> 10,919,934
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	505,320
Change in net position of governmental activities	<u>\$ 821,068</u>



County of Washington, Virginia  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Discretely Presented Component Unit - School Board  
For the Year Ended June 30, 2015

	School Operating Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Revenue from the use of money and property	\$ 15,100	\$ 20,100	\$ 9,809	\$ (10,291)
Charges for services	2,699,887	2,689,887	2,543,155	(146,732)
Miscellaneous	1,074,613	1,079,614	1,343,491	263,877
Recovered costs	120,000	120,000	95,000	(25,000)
Intergovernmental:				
Local government	28,701,867	29,718,097	27,243,617	(2,474,480)
Commonwealth	38,165,847	38,169,050	38,226,108	57,058
Federal	8,778,909	8,775,706	6,078,907	(2,696,799)
Total revenues	<u>\$ 79,556,223</u>	<u>\$ 80,572,454</u>	<u>\$ 75,540,087</u>	<u>\$ (5,032,367)</u>
<b>EXPENDITURES</b>				
Current:				
Education	\$ 81,615,248	\$ 82,649,046	\$ 75,275,333	\$ 7,373,713
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (2,059,025)</u>	<u>\$ (2,076,592)</u>	<u>\$ 264,754</u>	<u>\$ 2,341,346</u>
Net change in fund balances	\$ (2,059,025)	\$ (2,076,592)	\$ 264,754	\$ 2,341,346
Fund balances - beginning	2,059,025	2,076,592	1,786,404	(290,188)
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,051,158</u>	<u>\$ 2,051,158</u>



County of Washington, Virginia  
Combining Statement of Net Position  
Other Component Units  
June 30, 2015

	<u>Park Authority</u>	<u>Industrial Develop- ment Authority</u>	<u>Virginia Highlands Airport Authority</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 260,279	\$ 1,361,256	\$ 795,410	\$ 2,416,945
Accounts receivable	-	90,423	58,996	149,419
Notes receivable	-	12,010,000	-	12,010,000
Grants receivable	-	-	342,535	342,535
Due from other governmental units	-	242,086	-	242,086
Inventories	-	-	41,153	41,153
Prepaid items	13,827	-	23,139	36,966
Other assets:				
Cash held for bond escrow	-	256,929	-	256,929
Capital assets (net of accumulated depreciation):				
Land	753,776	15,348,798	10,864,615	26,967,189
Buildings and system	95,919	1,056,349	2,494,391	3,646,659
Improvements other than buildings	501,306	91,268	6,020,178	6,612,752
Machinery and equipment	11,528	-	369,823	381,351
Construction in progress	-	562,508	2,464,715	3,027,223
Total assets	<u>\$ 1,636,635</u>	<u>\$ 31,019,617</u>	<u>\$ 23,474,955</u>	<u>\$ 56,131,207</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension contributions subsequent to the measurement date	\$ 4,917	\$ -	\$ 8,503	\$ 13,420
<b>LIABILITIES</b>				
Accounts payable	\$ 3,623	\$ 79,741	\$ 634,413	\$ 717,777
Accrued liabilities	9,832	-	-	9,832
Accrued wages	-	-	14,309	14,309
Accrued interest payable	-	308,096	17,962	326,058
Due to other governmental units	-	20,000	-	20,000
Long-term liabilities:				
Due within one year	-	916,500	1,941,812	2,858,312
Due in more than one year	24,678	15,037,000	460,671	15,522,349
Total liabilities	<u>\$ 38,133</u>	<u>\$ 16,361,337</u>	<u>\$ 3,069,167</u>	<u>\$ 19,468,637</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Items related to measurement of net pension liability	\$ 8,412	\$ -	\$ 29,000	\$ 37,412
<b>NET POSITION</b>				
Net investment in capital assets	\$ 1,362,529	\$ 13,047,724	\$ 19,856,714	\$ 34,266,967
Unrestricted	232,478	1,610,556	528,577	2,371,611
Total Net Position	<u>\$ 1,595,007</u>	<u>\$ 14,658,280</u>	<u>\$ 20,385,291</u>	<u>\$ 36,638,578</u>

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



County of Washington, Virginia  
Combining Statement of Activities  
Other Component Units  
For the Year Ended June 30, 2015

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Component Unit			Total
				Washington County Park Authority	Industrial Development Authority	Virginia Highlands Airport Authority	
<b>OTHER COMPONENT UNITS:</b>							
Washington Park Authority	\$ 257,957	\$ 223,523	\$ -	\$ (34,434)	\$ -	\$ -	\$ (34,434)
Industrial Development Authority	1,304,475	6,145	225,600	-	(1,072,730)	-	(1,072,730)
Virginia Highlands Airport Authority	1,912,147	1,245,276	-	-	-	1,045,345	1,045,345
Total other component units	\$ 3,474,579	\$ 1,474,944	\$ 225,600	\$ (34,434)	\$ (1,072,730)	\$ 1,045,345	\$ (61,819)
General revenues:							
Unrestricted revenues from use of money and property				\$ 274	\$ 224,310	\$ 297,083	\$ 521,667
Miscellaneous				2,182	14,717	48,009	64,908
Payments from Washington County				-	1,536,476	12,881	1,549,357
Total general revenues				\$ 2,456	\$ 1,775,503	\$ 357,973	\$ 2,135,932
Change in net position				\$ (31,978)	\$ 702,773	\$ 1,403,318	\$ 2,074,113
Net position - beginning, as restated				1,626,985	13,955,507	18,981,973	34,564,465
Net position - ending				\$ 1,595,007	\$ 14,658,280	\$ 20,385,291	\$ 36,638,578

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



## Supporting Schedules



County of Washington, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2015

Schedule 1  
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 24,709,000	\$ 24,709,000	\$ 24,283,833	\$ (425,167)
Real and personal public service corporation taxes	1,335,600	1,335,600	1,183,387	(152,213)
Personal property taxes	6,471,500	6,471,500	6,803,212	331,712
Mobile home taxes	117,670	117,670	123,608	5,938
Machinery and tools taxes	2,800,000	2,800,000	2,779,147	(20,853)
Penalties	325,000	325,000	302,267	(22,733)
Interest	350,000	350,000	343,031	(6,969)
Total general property taxes	<u>\$ 36,108,770</u>	<u>\$ 36,108,770</u>	<u>\$ 35,818,485</u>	<u>\$ (290,285)</u>
Other local taxes:				
Local sales and use taxes	\$ 6,700,000	\$ 6,700,000	\$ 6,622,731	\$ (77,269)
Consumers' utility taxes	1,150,000	1,150,000	1,165,021	15,021
Utility license taxes	165,000	165,000	138,350	(26,650)
Motor vehicle licenses	875,000	875,000	887,677	12,677
Bank stock taxes	31,000	31,000	41,277	10,277
Taxes on recordation and wills	326,500	326,500	378,551	52,051
Hotel and motel room taxes	40,000	40,000	61,022	21,022
Total other local taxes	<u>\$ 9,287,500</u>	<u>\$ 9,287,500</u>	<u>\$ 9,294,629</u>	<u>\$ 7,129</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses and other animal related fees	\$ 36,000	\$ 36,000	\$ 27,053	\$ (8,947)
Zoning, subdivision plat and soil erosion permits	80,000	80,000	96,264	16,264
Building permits	1,250	1,250	1,445	195
Waste hauling fees	2,500	2,500	2,558	58
Other permits and licenses	-	-	59,694	59,694
Total permits, privilege fees, and regulatory licenses	<u>\$ 119,750</u>	<u>\$ 119,750</u>	<u>\$ 187,014</u>	<u>\$ 67,264</u>
Fines and forfeitures:				
Court fines, forfeitures and interest	\$ 818,985	\$ 926,064	\$ 1,021,836	\$ 95,772
Revenue from use of money and property:				
Revenue from use of money	<u>\$ 140,000</u>	<u>\$ 140,000</u>	<u>\$ 119,508</u>	<u>\$ (20,492)</u>
Charges for services:				
Excess fees of clerk	\$ 10,000	\$ 10,000	\$ -	\$ (10,000)
Charges for law enforcement and traffic contro	68,500	68,500	49,981	(18,519)
Charges for transportation of prisoners	5,000	5,000	10,758	5,758
Charges for copies	5,000	5,000	12,569	7,569
Charges for Commonwealth's Attorney	7,500	7,500	4,945	(2,555)
Charges for highways and streets	3,500	3,500	6,807	3,307
Commission fees	58,250	58,250	99,881	41,631
Charges for sanitation and waste removal and other related fees	362,000	362,000	389,044	27,044
Charges for parks and recreation	111,000	111,000	55,303	(55,697)
Charges for library	23,000	23,000	26,373	3,373
Total charges for services	<u>\$ 653,750</u>	<u>\$ 653,750</u>	<u>\$ 655,661</u>	<u>\$ 1,911</u>



County of Washington, Virginia  
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Revenue from local sources: (Continued)				
Miscellaneous:				
Miscellaneous	\$ 93,680	\$ 151,223	\$ 177,514	\$ 26,291
Bristol, Tenn.-payment in lieu of taxes	1,250	1,250	-	(1,250)
Bristol, VA utilities board	48,671	48,671	49,861	1,190
Tennessee Valley Authority-payment in lieu of taxes	725,000	725,000	710,239	(14,761)
Total miscellaneous	\$ 868,601	\$ 926,144	\$ 937,614	\$ 11,470
Recovered costs:				
Insurance recoveries	\$ -	\$ 24,741	\$ 33,578	\$ 8,837
Regional jail	459,299	459,299	436,788	(22,511)
Facility management CS building	80,000	80,000	89,553	9,553
Alcohol, tobacco and firearms funds	18,000	18,000	15,626	(2,374)
Industrial Development Authority	-	-	46,087	46,087
Other recovered costs	410,000	435,000	51,598	(383,402)
Total recovered costs	\$ 967,299	\$ 1,017,040	\$ 673,230	\$ (343,810)
Total revenue from local sources	\$ 48,964,655	\$ 49,179,018	\$ 48,707,977	\$ (471,041)
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 50,000	\$ 50,000	\$ 39,945	\$ (10,055)
Mobile home titling tax	90,000	90,000	67,641	(22,359)
Motor vehicle rental tax	10,000	10,000	8,612	(1,388)
Grantors tax	125,000	125,000	73,572	(51,428)
Communications sales taxes	1,725,000	1,725,000	1,611,688	(113,312)
Personal property tax relief funds	2,559,286	2,559,286	2,559,286	-
Total noncategorical aid	\$ 4,559,286	\$ 4,559,286	\$ 4,360,744	\$ (198,542)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 403,300	\$ 456,209	\$ 467,459	\$ 11,250
Sheriff	2,191,625	2,191,625	2,178,005	(13,620)
Commissioner of revenue	155,500	155,500	153,509	(1,991)
Treasurer	152,500	152,500	153,828	1,328
Registrar/electoral board	47,500	47,500	46,008	(1,492)
Clerk of the Circuit Court	352,000	352,000	349,210	(2,790)
Total shared expenses	\$ 3,302,425	\$ 3,355,334	\$ 3,348,019	\$ (7,315)
Other categorical aid:				
Virginia Public Assistance	\$ 2,239,027	\$ 2,239,027	\$ 2,126,703	\$ (112,324)
Comprehensive services	1,114,182	1,114,182	755,497	(358,685)
Victim witness grant	51,250	52,804	52,188	(616)
Litter control grant	14,000	14,000	31,965	17,965
EMS grant-Four for life	70,000	70,000	48,213	(21,787)
Fire programs	135,000	135,000	140,713	5,713
Dog and cat sterilization grant	1,500	1,500	1,531	31
E-911 wireless grant	45,000	45,000	50,182	5,182
Library state aid	152,544	152,544	152,401	(143)
Asset forfeiture funds	-	93,878	138,106	44,228



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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Other categorical aid: (Continued)				
SLC E-rate	\$ -	\$ -	\$ 11,060	\$ 11,060
Arts grant	-	5,000	5,000	-
DOJ - internet crimes against children	-	43,415	10,877	(32,538)
Stormwater grant	75,000	106,587	63,827	(42,760)
VFIRS hardware grant	-	3,000	3,000	-
DHCD	-	260,392	-	(260,392)
Justice assistance grants	-	1,299	1,299	-
Forest service	-	-	7,500	7,500
Police equipment	-	341	1,203	862
Total other categorical aid	\$ 3,897,503	\$ 4,337,969	\$ 3,601,265	\$ (736,704)
Total categorical aid	\$ 7,199,928	\$ 7,693,303	\$ 6,949,284	\$ (744,019)
Total revenue from the Commonwealth	\$ 11,759,214	\$ 12,252,589	\$ 11,310,028	\$ (942,561)
Revenue from the federal government:				
Payments in lieu of taxes	\$ 32,500	\$ 32,500	\$ 33,125	\$ 625
Categorical aid:				
Virginia Public Assistance	\$ 2,619,598	\$ 2,619,598	\$ 2,488,183	\$ (131,415)
DHCD grant	-	334,100	95,100	(239,000)
DMV Highway safety	-	29,418	12,707	(16,711)
VDEM grant	-	9,015	9,015	-
DEQ Mining and Minerals	2,000	2,000	456	(1,544)
DCJS-VSTOP grant	27,810	27,810	34,764	6,954
Alcohol safety	-	19,464	17,641	(1,823)
Bullet proof vest	-	9,190	4,394	(4,796)
Total categorical aid	\$ 2,649,408	\$ 3,050,595	\$ 2,662,260	\$ (388,335)
Total revenue from the federal government	\$ 2,681,908	\$ 3,083,095	\$ 2,695,385	\$ (387,710)
Total General Fund	\$ 63,405,777	\$ 64,514,702	\$ 62,713,390	\$ (1,801,312)
<b>Capital Projects Funds</b>				
<b>School Capital Projects Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 1,100	\$ 1,100	\$ -	\$ (1,100)
Total School Capital Projects Fund	\$ 1,100	\$ 1,100	\$ -	\$ (1,100)
Total Primary Government	\$ 63,406,877	\$ 64,515,802	\$ 62,713,390	\$ (1,802,412)



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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Discretely Presented Component Unit - School Board:</b>				
<b>School Operating Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 14,500	\$ 14,500	\$ 8,909	\$ (5,591)
Revenue from the use of property	600	5,600	900	(4,700)
Total revenue from use of money and property	<u>\$ 15,100</u>	<u>\$ 20,100</u>	<u>\$ 9,809</u>	<u>\$ (10,291)</u>
Charges for services:				
Charges for education	\$ 678,250	\$ 668,250	\$ 831,116	\$ 162,866
Governor's School	421,824	421,824	402,837	(18,987)
Transportation of pupils	60,000	60,000	47,065	(12,935)
Cafeteria sales	1,539,813	1,539,813	1,262,137	(277,676)
Total charges for services	<u>\$ 2,699,887</u>	<u>\$ 2,689,887</u>	<u>\$ 2,543,155</u>	<u>\$ (146,732)</u>
Miscellaneous revenue:				
Other miscellaneous	<u>\$ 1,074,613</u>	<u>\$ 1,079,614</u>	<u>\$ 1,343,491</u>	<u>\$ 263,877</u>
Recovered costs:				
Other recovered costs	<u>\$ 120,000</u>	<u>\$ 120,000</u>	<u>\$ 95,000</u>	<u>\$ (25,000)</u>
Total revenue from local sources	<u>\$ 3,909,600</u>	<u>\$ 3,909,601</u>	<u>\$ 3,991,455</u>	<u>\$ 81,854</u>
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Washington, Virginia	<u>\$ 28,701,867</u>	<u>\$ 29,718,097</u>	<u>\$ 27,243,617</u>	<u>\$ (2,474,480)</u>
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 7,498,674	\$ 7,553,522	\$ 7,630,875	\$ 77,353
Basic school aid	19,007,941	18,926,897	18,632,668	(294,229)
GED funding	23,576	23,576	28,576	5,000
Summer remedial	140,097	146,129	144,336	(1,793)
Regular foster care	339,412	385,423	151,614	(233,809)
Adult high school courses	4,200	4,200	43,364	39,164
Gifted and talented	211,786	208,459	205,937	(2,522)
Remedial education	584,715	665,296	657,247	(8,049)
National board certified teacher	-	-	10,000	10,000
Preschool initiative	784,354	430,615	400,918	(29,697)
Special education	1,892,265	1,969,276	1,945,451	(23,825)
Textbook payment	426,834	426,834	421,602	(5,232)
Vocational education	718,232	678,602	670,392	(8,210)
Vocational adult education	182,995	172,443	69,720	(102,723)
Vocational equipment	-	-	17,018	17,018
Vocational educational occupational tech ed	-	-	113,613	113,613
Social security fringe benefits	1,201,657	1,193,097	1,178,663	(14,434)
Retirement fringe benefits	2,002,762	2,421,677	2,392,379	(29,298)
Life insurance fringe benefits	73,665	75,400	74,488	(912)
State lottery payments	450,547	-	-	-
Early reading intervention	48,457	66,698	49,043	(17,655)
Governors school	579,176	579,176	549,685	(29,491)



County of Washington, Virginia  
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Discretely Presented Component Unit - School Board: (Continued)</b>				
<b>School Operating Fund: (Continued)</b>				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Jobs for Virginia graduates-lottery proceeds	\$ -	\$ -	\$ 21,000	\$ 21,000
At risk payments	523,715	569,998	563,108	(6,890)
Adult literacy	-	-	119,012	119,012
Homebound	37,621	61,476	60,099	(1,377)
School food	-	-	53,023	53,023
Regional programs	104,408	138,492	241,487	102,995
Special education - foster care	-	-	202,440	202,440
Electronic classroom	-	-	2,050	2,050
Mentor teacher program	4,660	4,660	2,711	(1,949)
Primary class size	737,519	877,165	876,245	(920)
Technology	466,000	466,000	440,000	(26,000)
SOL algebra readiness	84,799	90,445	88,483	(1,962)
Special ed jail program	2,233	1,892	1,119	(773)
English as a second language	33,547	31,602	32,758	1,156
GED testing	-	-	86,008	86,008
Other state funds	-	-	48,976	48,976
Total revenue from the Commonwealth	\$ 38,165,847	\$ 38,169,050	\$ 38,226,108	\$ 57,058
Revenue from the federal government:				
Categorical aid:				
Forest reserve fund	\$ 11,000	\$ 11,000	\$ 21,919	\$ 10,919
Adult basic education	468,460	468,460	347,416	(121,044)
Title I	1,507,726	1,507,726	1,504,222	(3,504)
Title VI-B, special education flow-through	1,505,846	1,505,846	1,668,726	162,880
Title VI-B, special education preschool	46,180	46,180	44,059	(2,121)
Vocational education	117,000	117,000	127,036	10,036
Title II Part A	332,144	332,144	282,749	(49,395)
School breakfast and lunch program	1,776,283	1,776,283	2,082,502	306,219
Other federal	3,014,270	3,011,067	278	(3,010,789)
Total revenue from the federal government	\$ 8,778,909	\$ 8,775,706	\$ 6,078,907	\$ (2,696,799)
Total Discretely Presented Component Unit - School Board	\$ 79,556,223	\$ 80,572,454	\$ 75,540,087	\$ (5,032,367)



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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund:</b>				
General government administration:				
Legislative:				
Board of supervisors	\$ 162,524	\$ 162,524	\$ 144,332	\$ 18,192
General and financial administration:				
County administrator	\$ 214,841	\$ 214,841	\$ 206,778	\$ 8,063
Personnel	93,960	94,570	83,937	10,633
Legal services	247,856	260,856	228,265	32,591
Commissioner of revenue	603,248	603,248	601,808	1,440
Treasurer	712,951	799,194	715,896	83,298
Central accounting and purchasing	261,223	261,223	249,414	11,809
Information technology	638,682	639,282	635,730	3,552
Assessor	50,000	50,000	23,205	26,795
Auditor	84,500	84,500	73,117	11,383
Total general and financial administration	\$ 2,907,261	\$ 3,007,714	\$ 2,818,150	\$ 189,564
Board of elections:				
Registrar	\$ 195,061	\$ 195,061	\$ 189,853	\$ 5,208
Electoral board	86,774	86,774	69,615	17,159
Total board of elections	\$ 281,835	\$ 281,835	\$ 259,468	\$ 22,367
Total general government administration	\$ 3,351,620	\$ 3,452,073	\$ 3,221,950	\$ 230,123
Judicial administration:				
Courts:				
Circuit court	\$ 74,318	\$ 74,318	\$ 64,538	\$ 9,780
General district court	35,462	36,305	31,554	4,751
Juvenile and domestic relations court	-	-	520	(520)
Special magistrates	5,420	5,420	4,582	838
Clerk of the circuit court	661,103	661,103	615,437	45,666
Law library	12,000	25,095	-	25,095
Total courts	\$ 788,303	\$ 802,241	\$ 716,631	\$ 85,610
Commonwealth's attorney:				
Commonwealth's attorney	\$ 824,845	\$ 1,061,519	\$ 907,556	\$ 153,963
Total judicial administration	\$ 1,613,148	\$ 1,863,760	\$ 1,624,187	\$ 239,573
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 2,632,929	\$ 3,056,684	\$ 2,829,489	\$ 227,195
Litter Control	117,302	142,302	131,237	11,065
Victim witness assistance	59,052	60,725	50,635	10,090
Animal control	268,407	269,816	247,148	22,668
Interstate enforcement	1,690,486	1,794,016	1,723,514	70,502
Court security	362,213	362,213	347,453	14,760
Stormwater management	47,380	47,380	41,264	6,116
Other Sheriff grants	41,458	144,254	89,822	54,432
Total law enforcement and traffic control	\$ 5,219,227	\$ 5,877,390	\$ 5,460,562	\$ 416,828



County of Washington, Virginia  
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Public safety: (Continued)				
Fire and rescue services:				
Volunteer fire departments	\$ 1,448,595	\$ 1,694,990	\$ 1,647,429	\$ 47,561
E-911	689,658	696,658	685,443	11,215
Total fire and rescue services	<u>\$ 2,138,253</u>	<u>\$ 2,391,648</u>	<u>\$ 2,332,872</u>	<u>\$ 58,776</u>
Correction and detention:				
Regional jail payments	\$ 2,666,287	\$ 2,666,287	\$ 2,666,286	\$ 1
Juvenile probation and detention	213,224	213,324	213,324	-
Total correction and detention	<u>\$ 2,879,511</u>	<u>\$ 2,879,611</u>	<u>\$ 2,879,610</u>	<u>\$ 1</u>
Inspections:				
Building	\$ 372,865	\$ 372,865	\$ 289,124	\$ 83,741
Other protection:				
Medical examiner	\$ 1,000	\$ 1,000	\$ 640	\$ 360
Emergency services	588,577	689,559	533,301	156,258
Total other protection	<u>\$ 589,577</u>	<u>\$ 690,559</u>	<u>\$ 533,941</u>	<u>\$ 156,618</u>
Total public safety	<u>\$ 11,199,433</u>	<u>\$ 12,212,073</u>	<u>\$ 11,496,109</u>	<u>\$ 715,964</u>
Public works:				
Sanitation and waste removal:				
Refuse collection and disposal	\$ 2,165,002	\$ 2,205,184	\$ 2,150,652	\$ 54,532
Maintenance of general buildings and grounds:				
General properties	\$ 1,422,233	\$ 1,553,954	\$ 1,322,181	\$ 231,773
Total public works	<u>\$ 3,587,235</u>	<u>\$ 3,759,138</u>	<u>\$ 3,472,833</u>	<u>\$ 286,305</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 501,865	\$ 501,865	\$ 501,865	\$ -
Mental health and mental retardation:				
Community services board	\$ 348,499	\$ 348,499	\$ 348,499	\$ -
Welfare:				
Virginia public assistance	\$ 6,079,207	\$ 6,139,207	\$ 5,554,791	\$ 584,416
Area agency on aging	72,055	72,055	72,055	-
Senior services	101,500	101,500	98,500	3,000
Community action agency	217,037	217,037	217,037	-
Community services	1,623,271	1,623,271	1,170,950	452,321
Indigent care	2,500	2,500	-	2,500
Total welfare	<u>\$ 8,095,570</u>	<u>\$ 8,155,570</u>	<u>\$ 7,113,333</u>	<u>\$ 1,042,237</u>
Total health and welfare	<u>\$ 8,945,934</u>	<u>\$ 9,005,934</u>	<u>\$ 7,963,697</u>	<u>\$ 1,042,237</u>



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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Education:				
Other instructional costs:				
Contributions to community college	\$ 84,527	\$ 84,527	\$ 84,527	\$ -
Contribution to County School Board	28,701,867	29,718,097	27,243,617	2,474,480
Total education	<u>\$ 28,786,394</u>	<u>\$ 29,802,624</u>	<u>\$ 27,328,144</u>	<u>\$ 2,474,480</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Parks	\$ 158,351	\$ 158,351	\$ 144,153	\$ 14,198
Recreation	290,742	291,094	218,205	72,889
Total parks and recreation	<u>\$ 449,093</u>	<u>\$ 449,445</u>	<u>\$ 362,358</u>	<u>\$ 87,087</u>
Cultural enrichment:				
Cultural enrichment	\$ 100,658	\$ 105,658	\$ 101,350	\$ 4,308
Library:				
Washington County library	\$ 1,278,607	\$ 1,408,979	\$ 1,317,133	\$ 91,846
Branch libraries	331,866	354,366	333,869	20,497
Total library	<u>\$ 1,610,473</u>	<u>\$ 1,763,345</u>	<u>\$ 1,651,002</u>	<u>\$ 112,343</u>
Total parks, recreation, and cultural	<u>\$ 2,160,224</u>	<u>\$ 2,318,448</u>	<u>\$ 2,114,710</u>	<u>\$ 203,738</u>
Community development:				
Planning and community development:				
Regional planning	\$ 45,467	\$ 45,467	\$ 45,467	\$ -
Zoning	164,653	164,653	159,663	4,990
Community development	333,902	928,394	345,681	582,713
Economic development	298,254	306,254	298,254	8,000
WCSA Project development	74,695	74,695	72,913	1,782
Contribution to Virginia Highlands Airport	185,233	185,233	185,233	-
Contribution to Washington County Industrial Development Authority	1,069,971	1,331,351	1,031,641	299,710
Contribution to Economic development	52,500	332,201	7,773	324,428
Total planning and community development	<u>\$ 2,224,675</u>	<u>\$ 3,368,248</u>	<u>\$ 2,146,625</u>	<u>\$ 1,221,623</u>
Environmental management:				
Contribution to soil and water district	\$ 18,000	\$ 18,000	\$ 18,000	\$ -
Cooperative extension program:				
Extension office	\$ 120,326	\$ 120,326	\$ 112,442	\$ 7,884
Total community development	<u>\$ 2,363,001</u>	<u>\$ 3,506,574</u>	<u>\$ 2,277,067</u>	<u>\$ 1,229,507</u>
Nondepartmental:				
Revenue refunds	\$ -	\$ -	\$ 127,699	\$ (127,699)
Other non departmental	519,105	403,171	347,227	55,944
Total nondepartmental	<u>\$ 519,105</u>	<u>\$ 403,171</u>	<u>\$ 474,926</u>	<u>\$ (71,755)</u>



County of Washington, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2015

Schedule 2  
Page 4 of 5

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Debt service:				
Principal retirement	\$ 1,838,587	\$ 1,838,587	\$ 1,913,959	\$ (75,372)
Interest and other fiscal charges	1,536,744	1,724,357	1,218,636	505,721
Total debt service	<u>\$ 3,375,331</u>	<u>\$ 3,562,944</u>	<u>\$ 3,132,595</u>	<u>\$ 430,349</u>
 Total General Fund	 <u>\$ 65,901,425</u>	 <u>\$ 69,886,739</u>	 <u>\$ 63,106,218</u>	 <u>\$ 6,780,521</u>
<b>Capital Projects Fund:</b>				
<b>County Capital Improvements Fund:</b>				
Public safety:				
Equipment	<u>\$ 160,000</u>	<u>\$ 160,000</u>	<u>\$ 160,000</u>	<u>\$ -</u>
 Public works:				
Maintenance of general buildings and grounds:				
Courthouse	\$ 24,300	\$ 24,300	\$ -	\$ 24,300
Solid waste equipment	-	25,000	15,083	9,917
Solid waste facilities	75,000	73,805	17,381	56,424
Total maintenance of general building and grounds	<u>\$ 99,300</u>	<u>\$ 123,105</u>	<u>\$ 32,464</u>	<u>\$ 90,641</u>
 Total public works	<u>\$ 99,300</u>	<u>\$ 123,105</u>	<u>\$ 32,464</u>	<u>\$ 90,641</u>
 Parks, recreation, and cultural:				
Parks and recreation:				
White's Mill restoration	\$ -	\$ 46,800	\$ 21,800	\$ 25,000
Oak park expenses	-	-	97,034	(97,034)
 Total parks, recreation, and cultural	<u>\$ -</u>	<u>\$ 46,800</u>	<u>\$ 118,834</u>	<u>\$ (72,034)</u>
 Community development:				
Planning and community development:				
Contributions to IDA	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 88,930</u>	<u>\$ (88,930)</u>
 Capital projects expenditures:				
Contingencies	<u>\$ -</u>	<u>\$ 76,096</u>	<u>\$ -</u>	<u>\$ 76,096</u>
 Total Capital Projects Fund	<u>\$ 259,300</u>	<u>\$ 406,001</u>	<u>\$ 400,228</u>	<u>\$ 5,773</u>
<b>School Capital Projects Fund:</b>				
Education:				
Operating costs:				
Facilities	<u>\$ 435,000</u>	<u>\$ 1,587,978</u>	<u>\$ 714,183</u>	<u>\$ 873,795</u>
 Total School Capital Projects Fund	<u>\$ 435,000</u>	<u>\$ 1,587,978</u>	<u>\$ 714,183</u>	<u>\$ 873,795</u>
 Total Primary Government	<u>\$ 66,595,725</u>	<u>\$ 71,880,718</u>	<u>\$ 64,220,629</u>	<u>\$ 7,660,089</u>



County of Washington, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2015

Schedule 2  
Page 5 of 5

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Discretely Presented Component Unit - School Board</b>				
<b>School Operating Fund:</b>				
Education:				
Instruction costs				
Administration, attendance and health	\$ 2,857,426	\$ 2,963,180	\$ 3,032,793	\$ (69,613)
Instruction	60,791,546	60,861,590	54,675,457	6,186,133
Instructional technology	2,144,226	2,172,060	2,015,414	156,646
Total instruction costs	<u>\$ 65,793,198</u>	<u>\$ 65,996,830</u>	<u>\$ 59,723,664</u>	<u>\$ 6,273,166</u>
Operating costs:				
Pupil transportation	\$ 4,954,368	\$ 4,885,130	\$ 4,739,149	\$ 145,981
Operation and maintenance of school plant	6,676,292	7,575,696	7,352,214	223,482
School food services	4,191,390	4,191,390	3,460,306	731,084
Total operating costs	<u>\$ 15,822,050</u>	<u>\$ 16,652,216</u>	<u>\$ 15,551,669</u>	<u>\$ 1,100,547</u>
Total Discretely Presented Component Unit - School Board	<u><u>\$ 81,615,248</u></u>	<u><u>\$ 82,649,046</u></u>	<u><u>\$ 75,275,333</u></u>	<u><u>\$ 7,373,713</u></u>



## Other Statistical Information



Table 1

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Non-departmental	Interest on Long-Term Debt	Total
2014-15	\$ 3,508,913	\$ 1,602,299	\$ 11,090,052	\$ 3,729,458	\$ 7,800,245	\$ 28,369,156	\$ 2,233,396	\$ 2,325,083	\$ -	\$ 1,077,287	\$ 61,735,889
2013-14	3,801,462	1,590,653	10,667,821	3,504,762	8,434,168	28,605,420	2,261,825	2,544,189	-	1,185,934	62,596,234
2012-13	3,485,456	1,588,063	10,875,250	4,091,448	7,797,920	28,248,261	2,625,595	2,704,569	-	1,180,439	62,597,001
2011-12	3,392,022	1,442,053	10,373,244	4,710,465	7,571,268	22,448,687	2,153,236	3,599,243	-	1,223,756	56,913,974
2010-11	2,758,254	1,434,023	10,819,665	3,984,154	7,631,737	21,598,926	2,450,828	3,308,476	-	1,546,660	55,532,723
2009-10	2,444,129	1,397,161	10,394,379	3,106,061	7,750,392	21,628,724	2,656,439	2,449,360	-	852,142	52,678,787
2008-09	2,811,456	1,445,528	7,537,178	3,123,952	7,953,182	22,493,692	1,920,026	5,671,641	-	823,279	53,779,934
2007-08	2,932,775	1,374,450	9,184,107	3,205,042	7,878,987	22,874,878	2,383,626	1,703,097	104,973	767,918	52,409,853
2006-07	2,615,012	1,207,193	8,618,032	2,980,655	6,507,588	19,514,072	2,523,061	3,150,805	74,973	606,752	47,798,143
2005-06	2,086,597	1,076,485	7,807,347	2,768,015	6,356,765	20,769,223	2,230,629	3,138,763	36,915	722,722	46,993,461



Table 2

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

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES						
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions		
									Not Restricted to Specific Programs	Total	
2014-15	\$ 1,864,511	\$ 9,378,338	\$ 233,206	\$	\$ 35,963,625	\$ 9,294,629	\$ 119,508	\$ 937,614	\$ 4,393,869	\$ 62,185,300	
2013-14	1,875,166	9,503,961	687,141		34,581,104	9,229,842	123,575	956,021	4,413,735	61,370,545	
2012-13	1,807,743	9,560,611	-		34,703,127	9,212,536	151,203	1,392,331	4,530,687	61,358,238	
2011-12	1,830,599	11,403,196	-		32,986,799	9,109,624	193,751	1,582,918	4,645,697	61,752,584	
2010-11	1,524,271	11,941,158	-		30,775,045	9,042,116	255,378	1,541,929	3,649,262	58,729,159	
2009-10	1,485,955	9,857,596	-		39,788,130	8,725,269	190,909	647,220	4,386,748	65,081,827	
2008-09	1,570,422	10,464,847	96,650		27,016,329	10,579,402	298,747	737,526	2,990,777	53,754,700	
2007-08	1,597,834	9,367,762	145,954		27,402,967	10,300,503	772,256	375,646	2,984,398	52,947,320	
2006-07	1,504,305	8,271,422	950,924		27,165,999	9,989,193	962,314	290,841	3,076,887	52,211,885	
2005-06	1,430,988	8,145,800	558,988		26,006,562	9,658,574	677,984	228,164	2,984,389	49,691,449	



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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2)	Parks, Recreation, and Cultural	Community Development	Non-departmental	Capital Projects	Debt Service	Total
2014-15	\$ 3,221,950	\$ 1,624,187	\$ 11,496,109	\$ 3,472,833	\$ 7,963,697	\$ 75,359,860	\$ 2,114,710	\$ 2,277,067	\$ 474,926	\$ -	\$ 3,132,595	\$ 111,137,934
2013-14	3,646,300	1,576,652	10,879,901	3,147,631	8,313,672	76,185,425	2,276,600	2,645,385	397,681	-	3,003,020	112,072,267
2012-13	3,608,619	1,543,209	10,788,060	3,288,417	7,714,318	77,804,981	2,153,788	2,579,586	276,258	-	2,870,052	112,627,288
2011-12	3,236,958	1,433,084	10,380,260	3,750,554	7,578,463	71,395,719	2,029,542	3,595,679	522,018	-	2,002,655	105,924,932
2010-11	2,900,525	1,407,319	10,644,584	3,549,820	7,589,378	68,481,337	2,123,190	3,286,491	231,976	-	1,491,190	101,705,810
2009-10	2,770,049	1,362,945	10,569,641	2,968,124	7,657,509	71,791,638	2,099,216	2,570,449	134,080	-	1,896,518	103,820,169
2008-09	3,075,945	1,400,889	10,271,050	3,044,273	7,852,356	77,482,208	2,214,686	2,057,953	169,856	-	1,985,076	109,554,292
2007-08	2,842,081	1,368,456	8,699,315	3,138,392	7,822,985	74,909,110	2,234,793	2,321,698	104,973	-	1,565,256	105,007,059
2006-07	2,634,968	1,202,363	8,937,458	2,838,179	6,677,452	68,809,819	2,379,074	2,258,385	74,973	-	1,631,432	97,444,103
2005-06	2,244,878	1,074,231	8,610,710	2,699,574	6,516,858	65,171,654	2,027,826	2,574,454	36,915	-	1,791,288	92,748,388

(1) Includes General fund of the Primary Government and its Discretely Presented Component Unit School Board. (Excludes County Capital Improvements Fund and School Capital Projects Fund)

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



Table 4

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

Fiscal Year	Revenue from the									Total
	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter- governmental (2)	
2014-15	\$ 35,818,485	\$ 9,294,629	\$ 187,014	\$ 1,021,836	\$ 129,317	\$ 3,198,816	\$ 2,281,105	\$ 768,230	\$ 58,310,428	\$ 111,009,860
2013-14	35,051,160	9,229,842	115,185	1,105,942	139,081	3,296,870	2,065,364	712,881	58,642,337	110,358,662
2012-13	33,590,230	9,212,536	110,451	1,075,125	171,524	3,211,190	2,353,100	440,890	59,589,903	109,754,949
2011-12	32,681,231	9,109,624	119,384	897,988	213,505	3,639,101	2,528,526	478,582	60,445,175	110,113,116
2010-11	30,533,935	9,042,116	118,976	834,151	258,728	3,238,561	2,044,463	426,123	58,409,708	104,906,761
2009-10	39,065,655	8,725,269	154,291	722,986	204,914	3,107,170	1,877,392	748,070	60,875,451	115,481,198
2008-09	26,768,962	10,319,402	125,669	854,554	277,468	3,280,511	1,517,479	725,498	61,985,504	105,855,047
2007-08	27,299,486	10,300,503	157,441	738,157	822,081	3,420,910	1,697,307	802,570	58,876,159	104,114,614
2006-07	27,046,503	9,989,193	205,520	641,383	1,010,631	3,315,650	1,912,090	567,255	57,148,625	101,836,850
2005-06	26,054,693	9,658,574	190,732	511,401	707,243	3,142,978	1,563,953	793,956	51,939,383	94,562,913

(1) Includes General fund of the Primary Government and its Discretely Presented Component Unit School Board. (Excludes County Capital Improvements Fund and School Capital Projects Fund)

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



Table 5

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

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1,2)	Percent of Delinquent Taxes to Tax Levy
2014-15	\$ 37,902,384	\$ 36,675,879	96.76%	\$ 1,054,734	\$ 37,730,613	99.55%	\$ 3,856,871	10.18%
2013-14	34,784,577	33,893,005	97.44%	948,362	34,841,367	100.16%	3,563,916	10.25%
2012-13	33,132,974	31,903,695	96.29%	1,014,696	32,918,391	99.35%	3,643,003	11.00%
2011-12	30,637,829	29,876,309	97.51%	2,227,356	32,103,665	104.78%	3,074,774	10.04%
2010-11	30,081,650	28,926,656	96.16%	1,149,142	30,075,798	99.98%	2,776,060	9.23%
2009-10 (3)	39,292,118	37,636,876	95.79%	861,595	38,498,471	97.98%	2,693,322	6.85%
2008-09	29,830,388	28,883,204	96.82%	445,044	29,328,248	98.32%	1,187,140	3.98%
2007-08	29,509,653	28,665,654	97.14%	733,341	29,398,995	99.63%	934,569	3.17%
2006-07	29,237,381	28,414,846	97.19%	613,503	29,028,349	99.29%	777,927	2.66%
2005-06	28,406,115	27,555,596	97.01%	589,755	28,145,351	99.08%	707,620	2.49%

(1) Exclusive of penalties and interest.

(2) Includes current year taxes receivable only.

(3) 2009-10 was the first year that the County began twice-year tax collections.



Table 6

County of Washington, Virginia  
Assessed Value of Taxable Property (1)  
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property and Mobile Homes (3)	Machinery and Tools	Public Utility (2)		Total
				Real Estate and Personal Property	Public Utility (2)	
2014-15	\$ 3,887,864,596	\$ 570,992,102	\$ 180,011,133	\$ 186,055,671	\$	4,824,923,502
2013-14	3,856,764,808	553,941,886	179,966,820	190,675,256		4,781,348,770
2012-13	3,643,100,137	542,187,701	176,763,685	155,434,116		4,517,485,639
2011-12	3,644,529,884	513,404,833	162,194,740	177,754,621		4,497,884,078
2010-11	3,714,880,800	498,040,367	160,572,846	176,316,906		4,549,810,919
2009-10	3,684,810,300	470,661,432	158,176,655	171,979,877		4,485,628,264
2008-09	3,269,165,800	492,537,196	129,910,105	161,732,484		4,053,345,585
2007-08	3,269,046,000	463,976,908	310,175,750	181,363,006		4,224,561,664
2006-07	3,176,091,700	436,066,753	229,222,785	203,630,931		4,045,012,169
2005-06	3,112,082,500	410,332,545	229,320,270	216,983,390		3,968,718,705

(1) Assessed at 100% of fair market value.

(2) Assessed values are established by the State Corporation Commission.

(3) Includes Volunteer and Air Tax assessments.



Table 7

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

Fiscal Year	Real Estate	Personal Property	Machinery and Tools
2014-15	\$ 0.63	\$ 1.70	\$ 1.55
2013-14	0.63	1.70	1.55
2012-13	0.63	1.55	1.55
2011-12	0.63	1.55	1.55
2010-11	0.58	1.55	1.55
2009-10	0.57	1.55	1.55
2008-09	0.57	1.55	1.55
2007-08	0.57	1.55	1.55
2006-07	0.57	1.55	1.55
2005-06	0.57	1.55	1.55

(1) Per \$100 of assessed value.



Table 8

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

Fiscal Year	Population (1)	Assessed Value (in thousands) (2)	Gross Bonded Debt (3)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2014-15	54,876	\$ 4,824,924	\$ 16,117,239	\$ 16,117,239	0.33%	294
2013-14	54,876	4,781,349	17,525,265	17,525,265	0.37%	319
2012-13	54,876	4,517,486	18,840,729	18,840,729	0.42%	343
2011-12	54,876	4,497,884	20,136,009	20,136,009	0.45%	367
2010-11	54,876	4,549,811	21,466,830	21,466,830	0.47%	391
2009-10	51,103	4,485,628	22,397,804	22,397,804	0.50%	438
2008-09	51,103	4,053,346	15,474,811	15,474,811	0.38%	303
2007-08	51,103	4,224,562	16,610,898	16,610,898	0.39%	325
2006-07	51,103	4,045,012	12,545,145	12,545,145	0.31%	245
2005-06	51,103	3,968,719	13,532,193	13,532,193	0.34%	265

(1) Bureau of the Census.

(2) Assessed at 100% of fair market value.

(3) Includes all long-term general obligation bonded debt, bonded anticipation notes, and literary fund loans.  
Excludes revenue bonds, landfill closure/post-closure care liability, capital leases, and compensated absences.



Table 9

County of Washington, Virginia  
Ratio of Annual Debt Service Expenditures for General Bonded  
Debt to Total General Governmental Expenditures (1)  
Last Ten Fiscal Years

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2014-15	\$ 1,913,959	\$ 1,218,636	\$ 3,132,595	\$ 111,137,934	2.82%
2013-14	1,814,351	1,188,669	3,003,020	112,072,267	2.68%
2012-13	1,645,280	1,224,772	2,870,052	112,627,288	2.55%
2011-12	1,330,821	671,834	2,002,655	105,924,932	1.89%
2010-11(2)	20,934,980	1,201,012	22,135,992	101,705,810	21.76%
2009-10	1,168,001	858,534	2,026,535	103,820,169	1.95%
2008-09	1,136,087	848,989	1,985,076	109,554,292	1.81%
2007-08	958,523	606,733	1,565,256	105,007,059	1.49%
2006-07	1,016,567	617,865	1,634,432	97,444,103	1.68%
2005-06	1,046,741	744,547	1,791,288	92,748,388	1.93%

(1) Includes General fund of the Primary Government and the Discretely Presented Component Unit - School Board.

(2) Includes principal of \$17,950,000 to pay off anticipation notes and bonds.



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## COMPLIANCE SECTION

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# 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*

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To the Honorable Members of  
the Board of Supervisors  
County of Washington, 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Washington, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise County of Washington, Virginia's basic financial statements, and have issued our report thereon dated December 20, 2015.

### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered County of Washington, 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 Washington, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the County of Washington, 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 Washington, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

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

*Robinson, Turner, & Associates*

Blacksburg, Virginia  
December 20, 2015



# 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 OMB Circular A-133

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

### Report on Compliance for Each Major Federal Program

We have audited County of Washington, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of County of Washington, Virginia's major federal programs for the year ended June 30, 2015. County of Washington, 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on compliance for each of County of Washington, 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Washington, 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 Washington, Virginia's compliance.

#### *Opinion on Each Major Federal Program*

In our opinion, County of Washington, 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, 2015.



## Report on Internal Control over Compliance

Management of County of Washington, 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 Washington, 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 Washington, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Robinson, Turner, Cox Associates*

Blacksburg, Virginia  
December 20, 2015



County of Washington, Virginia  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2015

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
Department of Social Services:			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760114, 0760115	\$ 62,959
Promoting Safe and Stable Families	93.556	0950114, 0950115	31,247
Temporary Assistance for Needy Families	93.558	0400114, 0400115	423,842
Refugee and Entrant Assistance - State Administered Programs	93.566	0500114, 0500115	651
Low-Income Home Energy Assistance	93.568	0600414, 0600415	47,949
Adoption and Legal Guardianship Incentive Payments	93.603	1130113	1,035
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900114, 0900115	2,942
Foster Care - Title IV-E	93.658	1100114, 1100115	294,985
Adoption Assistance	93.659	1120114, 1120115	358,851
Social Services Block Grant	93.667	1000114, 1000115	333,802
Chafee Foster Care Independence Program	93.674	9150114, 9150115	4,569
Children's Health Insurance Program	93.767	0540114, 0540115	14,146
Medical Assistance Program	93.778	1200114, 1200115	486,328
			<hr/>
Total Department of Health and Human Services			\$ 2,063,306
			<hr/>
Department of Agriculture:			
Pass Through Payments:			
Child Nutrition Cluster:			
Department of Agriculture:			
Food Distribution (Note 3)	10.555	40623	\$ 166,423
Department of Education:			
National School Lunch Program	10.555	40623	1,422,895
School Breakfast Program	10.553	40591	493,184
Department of Education:			
Schools and Roads--Grants to States	10.665	43841	21,919
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010114, 0010115	424,877
			<hr/>
Total Department of Agriculture			\$ 2,529,298
			<hr/>
Department of the Interior:			
Direct payments:			
Bureau of Land Management:			
National Forest Acreage Payment	15.226	65015	\$ 456
			<hr/>
Department of Justice:			
Pass Through Payments:			
Department of Criminal Justice Service:			
Violence Against Women Formula Grants	16.588	66500	\$ 34,764
Bullet Proof Vest Partnership Program	16.607	Not Available	4,394
			<hr/>
Total Department of Justice			\$ 39,158
			<hr/>
Department of Transportation:			
Pass Through Payments:			
Department of Motor Vehicles:			
State and Community Highway Safety	20.600	55192, 54279	\$ 12,707
Alcohol Open Container Requirements	20.607	54129, 55181	17,641
			<hr/>
Total Department of Transportation			\$ 30,348
			<hr/>



County of Washington, Virginia  
Schedule of Expenditures of Federal Awards (Continued)  
For the Year Ended June 30, 2015

Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)	Federal Catalog Number	Pass-Through Entity Identifying Number	Federal Awards
Department of Education:			
Pass Through Payments:			
Department of Education:			
Title I: Grants to Local Educational Agencies	84.010	42901	\$ 1,504,222
Special Education Cluster:			
Special Education - Grants to states	84.027	43071, 61135	1,668,726
Special Education - Preschool grants	84.173	62521	44,059
Improving Teacher Quality State Grants	84.367	61480	282,749
Adult Education Basic Grants to States	84.002	42801, 61111, 61380	347,416
Career and Technical Education: Basic Grants to States	84.048	61095, 86656	127,036
Advanced Placement Program	84.330	60957	278
			<u>3,974,486</u>
Total Department of Education			<u>\$ 3,974,486</u>
Department of Homeland Security			
Pass Through Payments:			
Department of Emergency Management:			
Emergency Management Performance Grants	97.042	62744	\$ 9,015
			<u>9,015</u>
Department of Housing and Urban Development:			
Pass Through Payments:			
Department of Housing and Community Development:			
Community Development Block Grants / State's Program and Non-Entitlements Grants in Hawaii	14.228	50790	\$ 95,100
			<u>95,100</u>
Total Expenditures of Federal Awards			<u><u>\$ 8,741,167</u></u>

Notes to 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 Washington, Virginia under programs of the federal government for the year ended June 30, 2015. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the County of Washington, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of Washington, Virginia.

Note 2 -- Summary of Significant Accounting Policies

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, 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 commodities received and disbursed. At June 30, 2015, the County had no food commodities in inventory.

Note 4 -- Relationship to the 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	\$ 2,695,385
Less: Payment in lieu of taxes	(33,125)

Total primary government: \$ 2,662,260

Component Unit School Board:

School Operating Fund	<u>\$ 6,078,907</u>
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Total expenditures of federal awards per basic financial statements \$ 8,741,167

Total expenditures of federal awards per the Schedule of Expenditures of Federal Awards \$ 8,741,167



COUNTY OF WASHINGTON, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015

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Section I - Summary of Auditors' Results

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None noted
Type of auditors' report issued on compliance for major programs:	Unmodified
Any findings disclosed that are required to be reported in accordance with Circular A-133 Section 510(a)?	No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
93.558	Temporary Assistance to Needy Families (TANF)
84.010	Title I: Grants to Local Educational Agencies
84.027/173	Special Education Cluster

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes



COUNTY OF WASHINGTON, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2015

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Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

Section IV - Status of Prior Audit Findings

None