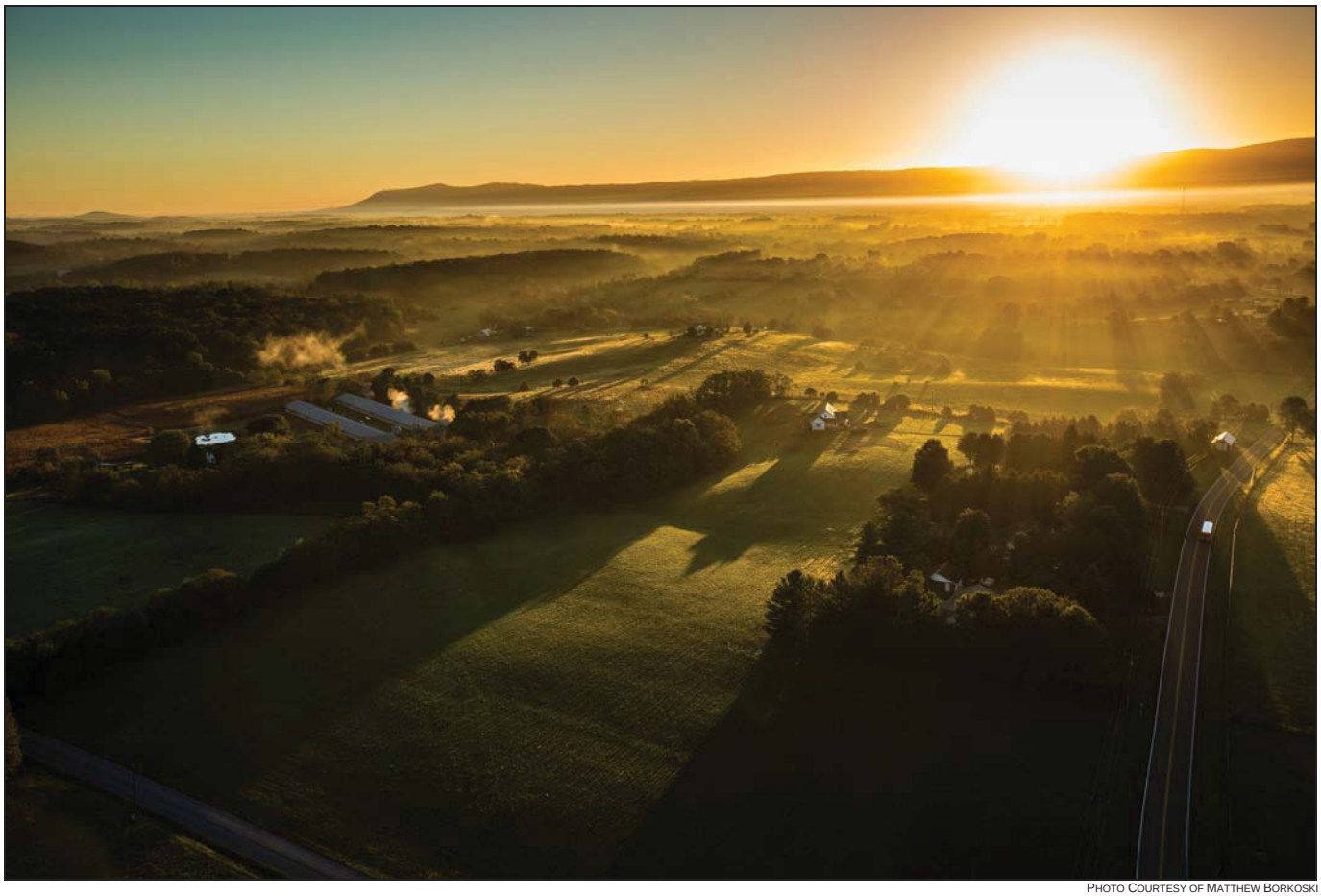


PHOTO COURTESY OF MATTHEW BORKOSKI

COUNTY
OF
SHENANDOAH, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
JUNE 30, 2017

COUNTY OF SHENANDOAH, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2017

Prepared by

Harrison Nicholson, Jr., Finance Director

Shenandoah County, Virginia

COUNTY OF SHENANDOAH, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2017

Table of Contents

INTRODUCTORY SECTION

	Page
Letter of Transmittal	1-4
GFOA Certification of Achievement	5
Organizational Chart	6-7
List of Elected and Appointed Officials	8

FINANCIAL SECTION

Independent Auditors' Report		9-11
Management's Discussion and Analysis		12-19
Basic Financial Statements:		
Government-wide Financial Statements:		
Exhibit 1	Statement of Net Position	20
Exhibit 2	Statement of Activities	21-22
Fund Financial Statements:		
Exhibit 3	Balance Sheet — Governmental Funds	23
Exhibit 4	Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	24
Exhibit 5	Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds	25
Exhibit 6	Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	26
Exhibit 7	Statement of Net Position — Proprietary Funds	27
Exhibit 8	Statement of Revenues, Expenditures, and Changes in Net Position — Proprietary Funds	28
Exhibit 9	Statement of Cash Flows — Proprietary Funds	29
Exhibit 10	Statement of Fiduciary Net Position — Fiduciary Funds	30
Notes to the Financial Statements		31-99

Table of Contents (Continued)

FINANCIAL SECTION (CONTINUED)

		Page
Required Supplementary Information:		
Exhibit 11	General Fund — Schedule of Revenues, Expenditures, and Changes in Fund Balances — Budget and Actual	100
Exhibit 12	Schedule of Changes in Net Pension Liability and Related Ratios— Primary Government	101
Exhibit 13	Schedule of Changes in Net Pension Liability and Related Ratios— Component Unit School Board (nonprofessional)	102
Exhibit 14	Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan	103
Exhibit 15	Schedule of Employer Contributions	104
Exhibit 16	Notes to Required Supplementary Information	105
Exhibit 17	Schedule of OPEB Funding Progress	106
Other Supplementary Information:		
Exhibit 18	County Debt Service Fund — Schedule of Revenues, Expenditures, and Changes in Fund Balances — Budget and Actual	107
Exhibit 19	County Capital Projects Fund — Schedule of Revenues, Expenditures, and Changes in Fund Balances — Budget and Actual	108
Combining Fund Statements:		
Exhibit 20	Balance Sheet — Nonmajor Governmental Funds	109
Exhibit 21	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances — Nonmajor Governmental Funds	110
Exhibit 22	Combining Statement of Fiduciary Net Position — Fiduciary Funds	111
Exhibit 23	Combining Statement of Changes in Assets and Liabilities — Agency Funds.	112
Discretely Presented Component Unit — School Board:		
Exhibit 24	Combining Balance Sheet	113
Exhibit 25	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances — Governmental Funds	114
Exhibit 26	Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances — Budget and Actual	115-116

Table of Contents (Continued)

FINANCIAL SECTION (CONTINUED)

Other Supplementary Information: (Continued)

Page

Supporting Schedules:

Schedule 1 Schedule of Revenues — Budget and Actual — Governmental Funds 117-122

Schedule 2 Schedule of Expenditures — Budget and Actual — Governmental Funds 123-126

STATISTICAL SECTION

Page

Table 1 Net Position by Component 127-128

Table 2 Changes in Net Position 129-132

Table 3 Governmental Activities Tax Revenues by Source 133

Table 4 Fund Balances of Governmental Funds 134-135

Table 5 Changes in Fund Balances of Governmental Funds 136-137

Table 6 General Governmental Tax Revenues by Source 138

Table 7 Assessed Value and Estimated Actual Value of Taxable Property 139-140

Table 8 Property Tax Rates 141

Table 9 Principal Property Taxpayers 142

Table 10 Property Tax Levies and Collections 143

Table 11 Ratio of Outstanding Debt by Type 144-145

Table 12 Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita 146

Table 13 Pledged-Revenue Coverage 147

Table 14 Demographic and Economic Statistics 148

Table 15 Principal Employers 149

Table 16 Full-time Equivalent County Government Employees by Function 150

Table 17 Operating Indicators by Function 151

Table 18 Capital Asset Statistics by Function 152

Table of Contents (Continued)

COMPLIANCE SECTION

	Page
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*	153-154
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	155-156
Schedule of Expenditures of Federal Awards	157-158
Notes to Schedule of Expenditures of Federal Awards	159
Schedule of Findings and Questioned Costs	160
Summary Schedule of Prior Audit Findings	161

INTRODUCTORY SECTION

County of Shenandoah

BOARD OF SUPERVISORS

DISTRICT 1 - DICK NEESE 540.740.3414
DISTRICT 2 - STEVE BAKER 540.477.3550
DISTRICT 3 – RICHARD WALKER 540.459.3149
DISTRICT 4 - CINDY BAILEY 540.481.0471
DISTRICT 5 - MARSHA SHRUNTZ 540.333.1042
DISTRICT 6 - CONRAD HELSLEY 540.481.6167

600 N. Main Street, Ste 102
WOODSTOCK, VA 22664

Tel: 540.459.6165 Fax: 540.459.6168
www.shenandoahcountyva.us

OFFICE OF COUNTY ADMINISTRATION

MARY T. PRICE
COUNTY ADMINISTRATOR

EVAN L. VASS
ASSISTANT COUNTY ADMINISTRATOR

November 30, 2017

To the Honorable Chairman, Members of the Board of Supervisors, and Citizens of the County of Shenandoah, Virginia:

We are pleased to present the Comprehensive Annual Financial Report (CAFR) for the County of Shenandoah (County) for the fiscal year ended 2017. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the various funds and component units of the County. All disclosures necessary to enable the reader to gain an understanding of the County's activities have been included.

The accounting firm of Robinson, Farmer, Cox Associates, Certified Public Accountants, has audited the County's financial statements. The goal of the independent audit is to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and evaluating the overall financial statement presentation. This examination was conducted using guidelines set forth by Government Auditing Standards Board and the Specification for Audits of Counties, Cities and Towns, issued by the Auditor of Public Accounts. Based upon this audit, the independent auditor concluded that there was a reasonable basis for rendering an unmodified opinion that the County's financial statements for the fiscal year ended June 30, 2017, are fairly presented in conformity with generally accepted accounting principles (GAAP). The independent auditors' report is presented as the first component of the financial section of this report.

The financial reporting entity (*the County)* includes all funds of the primary government *(i.e., the County of Shenandoah as legally defined)*, as well as all of its component units. The County provides a full range of services including police and fire protection, sanitation services, recreational activities, cultural events, and welfare services.

Component units are legally separate entities for which the primary government is financially accountable. Discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position, results of operations and cash flows from those of the primary government. The discretely presented component units included in this report are the Shenandoah County School Board and the Shenandoah County Library.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The County of Shenandoah's MD&A can be found immediately following the report of the independent auditors.

The Reporting Entity and Economic Outlook

The County of Shenandoah was formed in 1772 from Frederick County, and was originally named Dunmore County in honor of Governor Dunmore. In 1778, the name was changed to Shenandoah after the Shenandoah River, an Indian name meaning “Daughter of the Stars.”

Situated in the scenic northern Shenandoah Valley of Virginia, the County is 34 miles long and an average of 16 miles wide and contains a land area of 512 square miles. Within the boundaries of the County of Shenandoah are the towns of Edinburg, Mt. Jackson, New Market, Strasburg, Toms Brook and Woodstock. The County is a political subdivision of the Commonwealth of Virginia administered by a six-member board elected by magisterial district for four year concurrent terms. The Board of Supervisors elects one of its own to serve as Chairman and appoints a County Administrator to oversee the general administration of the County.

Although a rural county, the County’s 2017 population was 43,175. Shenandoah County enjoys a diversified economy, with manufacturing accounting for approximately 25% of the jobs in the County and health care accounting for roughly 11%. Agriculture accounts for less than 1% of the employment in the County due to the fact that most farmers are self-employed and many have jobs off the farm to supplement their incomes. The County’s unemployment is lower than the State average, and from June 2016 to June 2017, Shenandoah County saw its unemployment rates decrease from 4.3 percent to 3.7 percent.

The County is pleased to again report the continuation of two significant economic development projects and a new economic development during fiscal year 2017. During fiscal year 2015, Andros Foods North America (Andros), a subsidiary of France-based Andros Food Products, began its investment of $73 million over three years to expand its operations in Shenandoah County. During fiscal year 2016, Andros added production and warehouse space and equipment to increase apple processing capacity for pouch products as well as process additional fruits. For fiscal year 2017 Andros worked on permitting for a 78,000 square foot addition to house a new assembly line and an expansion to the plant’s parking lot. By the end of the project, 160 new jobs are expected to be created within Shenandoah County. Additionally during fiscal year 2015, Route 11 Potato Chips commenced its expansion of its existing potato chip production facility located within the county; during fiscal year 2017, it continued its investment of $1.2 million, which includes the installation of a second line in its current facility creating 13 new jobs. Also during fiscal year 2017, Filibuster Distillery (Filibuster) was selected to receive a $30,000 Agriculture and Forestry Industries Development (AFID) grant for agreeing to invest $795,000 in their Maurertown facility. Shenandoah County will also provide matching grant funds. This investment will create 8 new jobs over the next 3 years. Filibuster also agreed to 100% source its corn and rye from Virginia Farmers.

Major Initiatives and Goals

The mission statement of the County of Shenandoah is as follows:

> *The government of Shenandoah County is to promote an organizational environment that emphasizes the efficient delivery of high quality services to the public, assist the Board of Supervisors in carrying out its strategic objectives, and effectively communicate information about County operations and services to citizens, the Board of Supervisors, the public, the employees, and the media.*

During fiscal year 2016, the County contracted with an architectural firm to provide a conceptual design of a new Sheriff’s Office facility. The Sheriff’s Office facility will provide the space necessary to support the County’s law enforcement services including patrol, crime prevention, civil process, animal control, investigations, and administration. Architectural and engineering services associated with the project continued in fiscal year 2017.

During fiscal year 2017, Shenandoah County contracted with a vendor to assess the existing ultra-high frequency (UHF) conventional analog public safety radio communications system. The goal of the needs assessment was to determine the best approach to improve radio communications within the county and to replace aging equipment which has reached (or will reach within the next 2 years) its End-of-Life through the manufacturer. The assessment included a review of how the Shenandoah County Department of Emergency Communications (DEC) interfaces with the radio communications system, as well as recommendations for replacement of the current system.

Financial Information

The management of the County of Shenandoah is responsible for establishing and maintaining internal controls to ensure the protection of the County assets. In developing and evaluating the County of Shenandoah's accounting system, consideration is given to the adequacy of internal accounting controls. Internal controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

Single Audit

As a recipient of federal and state financial assistance, the County also is responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws and regulations related to those programs. These internal controls are subject to periodic evaluation by management.

As a part of the County's single audit, described earlier, tests are made to determine the adequacy of the system of internal control, including that portion related to federal financial assistance programs, as well as to determine that the government has complied with applicable laws and regulations. The results of the County's single audit for the fiscal year ended June 30, 2017 provided no instances of material weaknesses in the system of internal control and no violations of applicable laws and regulations.

Budgeting Controls

In addition to internal accounting controls, the County also maintains budgetary controls to ensure compliance with the annual appropriated budget approved by the County Board of Supervisors. Budgetary control is maintained at the function level and any unspent appropriations at the fiscal year end may be reappropriated as part of the following year's revised budget.

As demonstrated by the statements and schedules included in the financial section of this report, the County continues to meet its responsibility for sound financial management.

Relevant financial policies

The County of Shenandoah, Virginia has adopted a comprehensive set of financial policies. The County has a policy that requires the adoption of a balanced annual operating budget (i.e., estimated revenues equal to appropriations and transfers to other funds). Anticipated fiscal year 2017 revenues were less than appropriations and transfers to other funds by $1,934,789 as a result of several one-time capital projects. In such cases, the policy allows for appropriation of fund balance to close the gap. However, because of continued measures taken during the year to control expenditures and an increase in certain revenue sources, there was actually an increase in fund balance of $3,700,565 for the year.

Other Information

Independent Audit

State statutes require an annual audit by independent certified public accountants. The accounting firm of Robinson, Farmer, Cox Associates, CPA's, was selected by the County. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).* The auditors' report on the basic financial statements and combining individual fund statements and schedules is included in the Financial Section of this report. The auditors' report related specifically to the single audit is included in the Compliance Section.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Shenandoah, Virginia for its comprehensive annual financial report for the fiscal year ended June 30, 2016. The County must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

The preparation of this annual financial report could not have been accomplished without the dedicated effort of Mary Beth Price, County Administrator, Cindy George, Treasurer, the School Board and the members of their staff. We would like to express our appreciation to all members of those departments who assisted and contributed to the preparation of this report.

Moreover, without the leadership and support of the Board of Supervisors, preparation of this report would not have been possible.

Sincerely,

Harrison E. Nicholson Jr.
Director of Finance

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

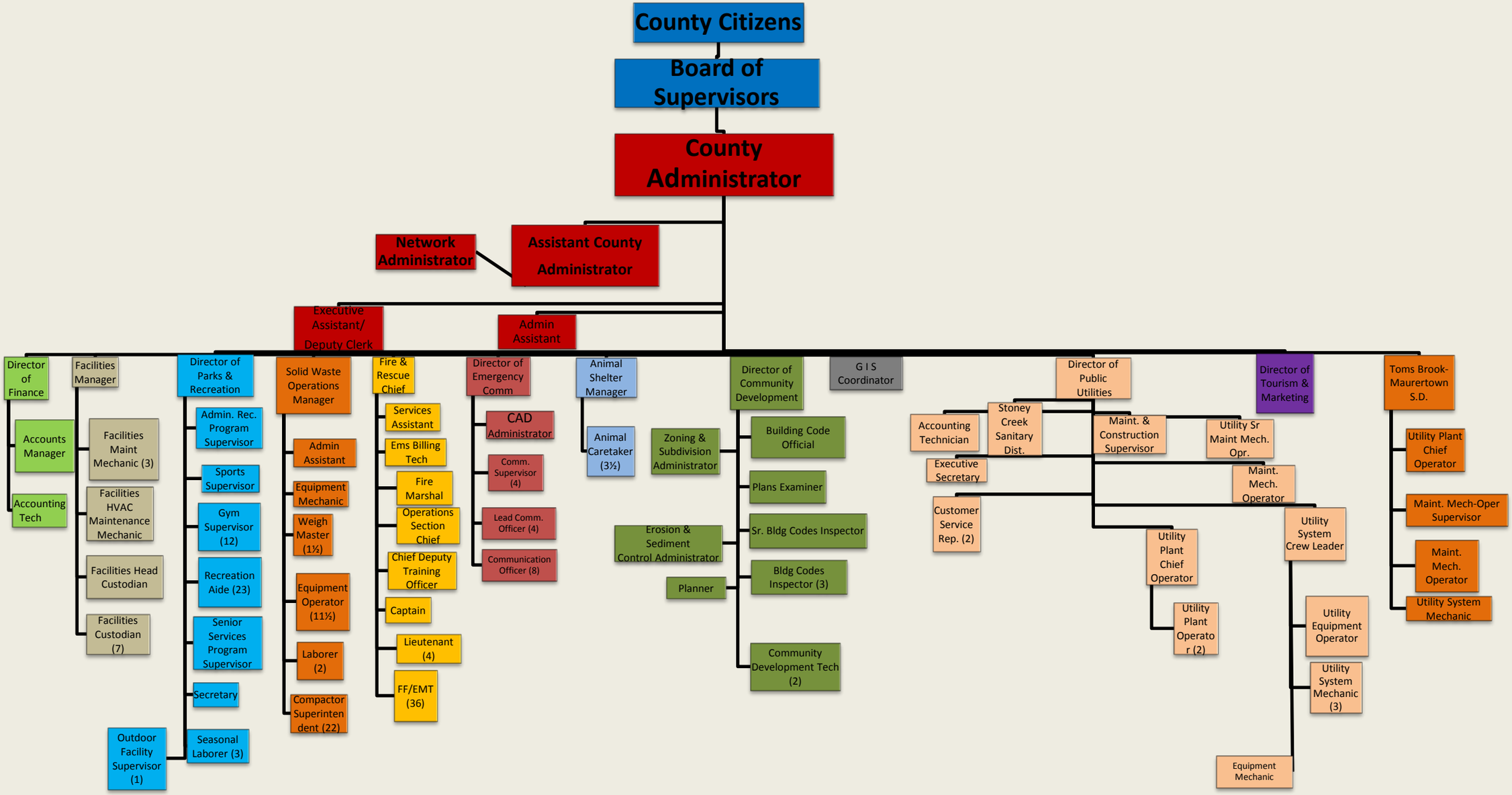
County of Shenandoah

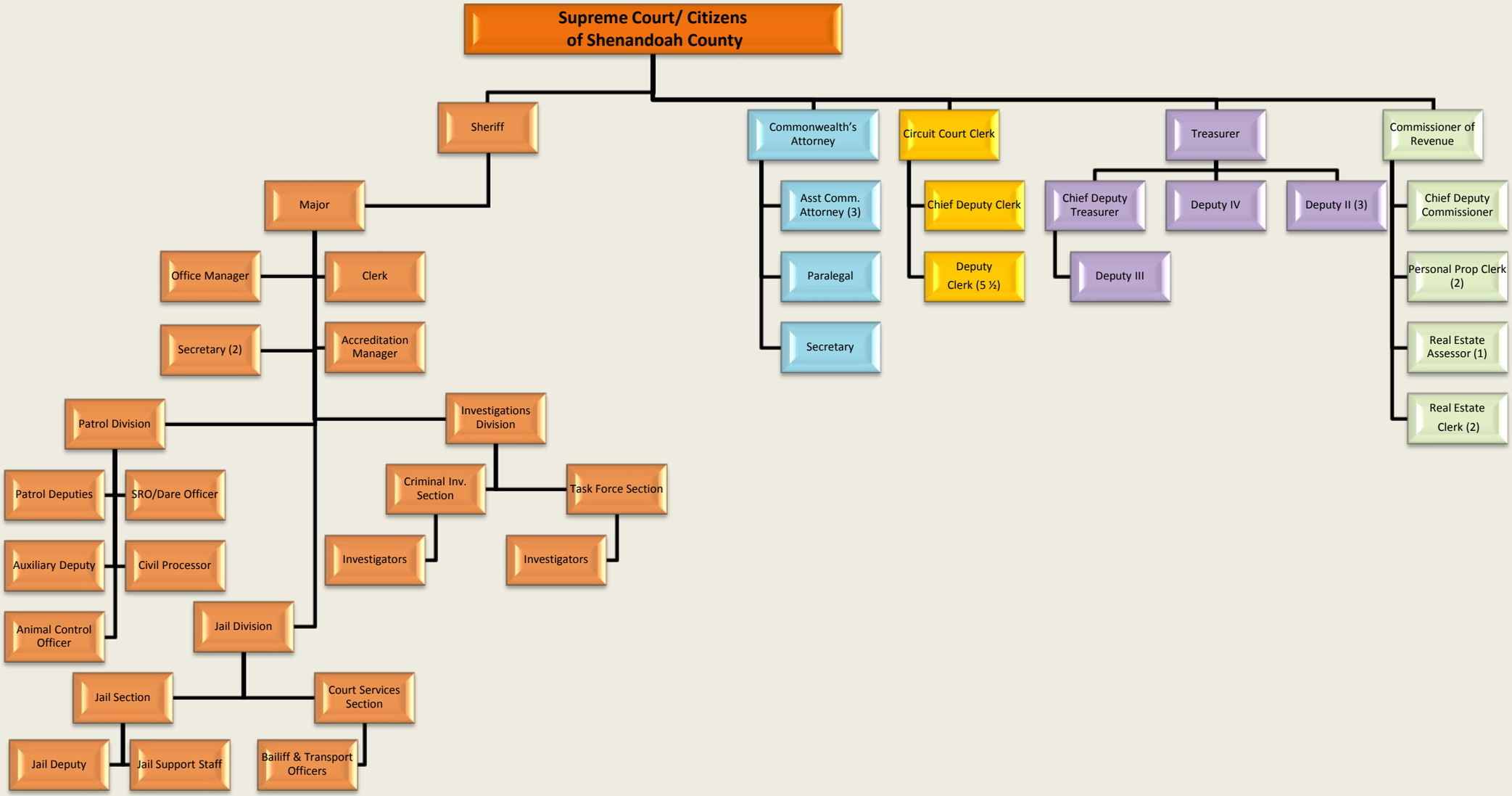
Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO


County Citizens
Board of Supervisors
County Administrator
Network Administrator
Assistant County Administrator
Executive Assistant/ Deputy Clerk
Admin Assistant
Director of Finance
Accounts Manager
Accounting Tech
Facilities Manager
Facilities Maint Mechanic (3)
Facilities HVAC Maintenance Mechanic
Facilities Head Custodian
Facilities Custodian (7)
Director of Parks & Recreation
Admin. Rec. Program Supervisor
Sports Supervisor
Gym Supervisor (12)
Recreation Aide (23)
Senior Services Program Supervisor
Secretary
Outdoor Facility Supervisor (1)
Seasonal Laborer (3)
Solid Waste Operations Manager
Admin Assistant
Equipment Mechanic
Weigh Master (1½)
Equipment Operator (11½)
Laborer (2)
Compactor Superintendent (22)
Fire & Rescue Chief
Services Assistant
Ems Billing Tech
Fire Marshal
Operations Section Chief
Chief Deputy Training Officer
Captain
Lieutenant (4)
FF/EMT (36)
Director of Emergency Comm
CAD Administrator
Comm. Supervisor (4)
Lead Comm. Officer (4)
Communication Officer (8)
Animal Shelter Manager
Animal Caretaker (3½)
Director of Community Development
Zoning & Subdivision Administrator
Erosion & Sediment Control Administrator
Planner
Building Code Official
Plans Examiner
Sr. Bldg Codes Inspector
Bldg Codes Inspector (3)
Community Development Tech (2)
G I S Coordinator
Director of Public Utilities
Accounting Technician
Executive Secretary
Customer Service Rep. (2)
Stoney Creek Sanitary Dist.
Maint. & Construction Supervisor
Utility Plant Chief Operator
Utility Plant Operator (2)
Utility Sr Maint Mech. Opr.
Maint. Mech. Operator
Utility System Crew Leader
Utility Equipment Operator
Utility System Mechanic (3)
Equipment Mechanic
Director of Tourism & Marketing
Toms Brook-Maurertown S.D.
Utility Plant Chief Operator
Maint. Mech-Oper Supervisor
Maint. Mech. Operator
Utility System Mechanic


Supreme Court/ Citizens of Shenandoah County
Sheriff
Major
Office Manager
Clerk
Secretary (2)
Accreditation Manager
Patrol Division
Patrol Deputies
SRO/Dare Officer
Auxiliary Deputy
Civil Processor
Animal Control Officer
Jail Division
Jail Section
Jail Deputy
Jail Support Staff
Court Services Section
Bailiff & Transport Officers
Investigations Division
Criminal Inv. Section
Investigators
Task Force Section
Investigators
Commonwealth's Attorney
Asst Comm. Attorney (3)
Paralegal
Secretary
Circuit Court Clerk
Chief Deputy Clerk
Deputy Clerk (5 ½)
Treasurer
Chief Deputy Treasurer
Deputy III
Deputy IV
Deputy II (3)
Commissioner of Revenue
Chief Deputy Commissioner
Personal Prop Clerk (2)
Real Estate Assessor (1)
Real Estate Clerk (2)

COUNTY OF SHENANDOAH, VIRGINIA

BOARD OF SUPERVISORS

Dr. Conrad A. Helsley, Chairman, District 6
Richard R. Walker, Vice Chairman, District 3

Dick Neese, District 1
Steven A. Baker, District 2
Cindy Bailey, District 4
Marsha Shruntz, District 5

COUNTY SCHOOL BOARD

Karen S. Whetzel, Chairman, District 1
Richard L. Koontz, Jr., Vice Chairman, District 2

Irving L. Getz, District 5
Katheryn A. Freakley, District 4
Cindy Walsh, District 3
Sonya Williams-Giersch, District 6

OTHER OFFICIALS

Judge of the Circuit Court ..... Dennis Hupp
Judge of the General District Court ..... Amy Tisinger
Judge of the Juvenile & Domestic Court ..... Kevin Black
Clerk of the General District Court ..... Tammy Heishman
Clerk of the Juvenile & Domestic Court ..... Nikki Taylor
Clerk of the Circuit Court ..... Sarona Irvin
Commonwealth's Attorney ..... Amanda McDonald Wiseley
Commissioner of the Revenue ..... Kathy Black
Treasurer ..... Cindy George
Sheriff ..... Timothy Carter
Superintendent of Schools ..... Dr. Mark Johnston
Director of Sanitary Districts ..... Rodney McClain
Director of Social Services ..... Carla Taylor
General Registrar ..... Lisa McDonald
County Administrator ..... Mary T. Price
Assistant County Administrator ..... Evan L. Vass
County Attorney ..... Jason Ham
Finance Director ..... Harrison Nicholson
Director of Community Development ..... Bradley Polk
Building Code Official ..... Mark Griffey
Director of Parks and Recreation ..... Jered Hoover
Chief of Fire and Rescue ..... Tim Williams
Director of Emergency Communications Center ..... Jason Malloy
Maintenance Manager ..... Duane Williams
Library Director ..... Sandy Whitesides

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

TO THE HONORABLE MEMBERS
OF THE BOARD OF SUPERVISORS
COUNTY OF SHENANDOAH, VIRGINIA

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the County of Shenandoah, Virginia, as of June 30, 2017, 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.

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 12-19, 100, and 101-106, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2017, on our consideration of the County of Shenandoah, 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 Shenandoah, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Staunton, Virginia
November 30, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the County of Shenandoah, Virginia (County), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2017. The MD&A also includes a comparative analysis for the fiscal year ended June 30, 2016.

Financial Highlights

- The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $29,143,571 (net position). Of this amount, $6,596,586 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.

- As of the close of the current fiscal year, the County's funds reported combined ending fund balances of $27,817,613, an increase of $3,941,695 in comparison with the prior year. Approximately $12,871,656 or 46 percent of the total fund balance is unassigned and available for spending at the County's discretion.

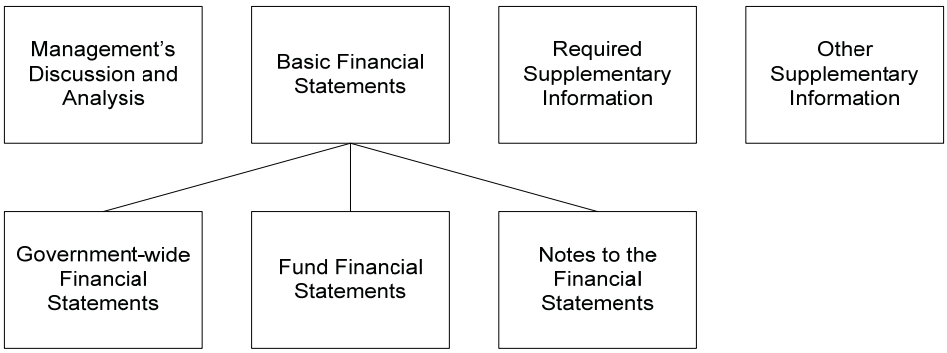
- At the end of the current fiscal year, unassigned fund balance for the general fund of $12,871,656 represents 22 percent of total general fund expenditures.

- The County's total long-term obligations decreased by $4,260,964 during the current fiscal year, primarily due to the payment of principal on its indebtedness.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. These statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition to the basic financial statements, this report contains required supplementary information and other supplementary information.

Components of the Financial Report



Government-wide financial statements - The government-wide financial statements provide financial statement users with a general overview of the County's finances. The statements provide both long-term and short-term information about the County's financial status. Two financial statements are used to present this information: 1) the statement of net position, and 2) the statement of activities. These statements are reported using the economic resources measurement focus and the accrual basis of accounting, which is similar to the accounting used by private-sector companies.

The statement of net position presents information on all of the County's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between them 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. Other non-financial factors also need to be considered to determine the overall financial position of the County.

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). The governmental activities of the County include general government, judicial administration, public safety, public works, health and welfare, parks and recreation and cultural, and community development. Business-type activities of the County include the Toms Brook-Maurertown Sanitary District, the Stoney Creek Sanitary District, North Fork Wastewater Treatment Plant fund, and the Landfill fund.

The government-wide financial statements include not only the County of Shenandoah, Virginia (known as the primary government), but also a legally separate school district and a legally separate library for which the County of Shenandoah, Virginia is financially accountable. Financial information for these component units is reported separately from the financial information present for the primary government itself.

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 Shenandoah, 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 statements focus on near-term inflows and outflows of expendable resources, as well as on balance of expendable 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 eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the debt service fund and the capital projects fund, both of which are considered to be major funds. Data from the other two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

Proprietary funds - The County maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for the Toms Brook-Maurertown Sanitary District, Stoney Creek Sanitary District, North Fork Wastewater Treatment Plant and the Landfill. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Toms Brook-Maurertown Sanitary District, Stoney Creek Sanitary District, North Fork Wastewater and the Landfill all of which are considered to be major funds of the County.

Fiduciary funds - The County is the trustee, or fiduciary, for the County's agency funds. It is 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 position and a statement of changes in fiduciary net position. The County excludes these activities from the County's government-wide financial statements because the County cannot use these assets to finance its operations. Agency funds are County custodial funds used to provide accountability of client monies for which the County is custodian.

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 concerning the County's progress in funding its obligation to provide pension benefits to its employees.

The combining statements referred to earlier in the connection with nonmajor governmental funds are also presented as required supplementary information.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $29,143,571 at the close of the end of the fiscal year. The County's net position is divided into three categories: (1) net investment in capital assets; (2) restricted; and (3) unrestricted.

Shenandoah County's net investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding, represents 58 percent of total net position. The County uses these capital assets to provide services to citizens; therefore, 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.

Summary Statement of Net Position

County of Shenandoah, Virginia's Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	$ 53,648,094	$ 49,136,488	$ 2,283,143	$ 1,674,461	$ 55,931,237	$ 50,810,949
Capital assets	44,299,779	47,117,234	12,904,547	12,956,641	57,204,326	60,073,875
Total assets	$ 97,947,873	$ 96,253,722	$ 15,187,690	$ 14,631,102	$ 113,135,563	$ 110,884,824
Total deferred outflows of resources	$ 2,008,725	$ 1,257,470	$ 243,664	$ 175,544	$ 2,252,389	$ 1,433,014
Current liabliities	$ 1,853,850	$ 1,814,015	$ 448,477	$ 370,916	$ 2,302,327	$ 2,184,931
Long-term liabilities	48,269,275	51,021,622	12,951,178	12,490,897	61,220,453	63,512,519
Total liabilities	$ 50,123,125	$ 52,835,637	$ 13,399,655	$ 12,861,813	$ 63,522,780	$ 65,697,450
Total deferred inflows of resources	$ 22,333,441	$ 22,265,217	$ 388,160	$ 474,210	$ 22,721,601	$ 22,739,427
Net position:						
Net investment in capital assets	$ 5,506,961	$ 4,603,873	$ 11,391,963	$ 11,198,699	$ 16,898,924	$ 15,802,572
Restricted:						
Capital projects	-	410,500	-	-	-	410,500
Asset forfeiture	5,648,061	3,214,533	-	-	5,648,061	3,214,533
Unrestricted	16,345,010	14,181,432	(9,748,424)	(9,728,076)	6,596,586	4,453,356
Total net position	$ 27,500,032	$ 22,410,338	$ 1,643,539	$ 1,470,623	$ 29,143,571	$ 23,880,961

At the end of the current fiscal year, the County is able to report positive balances in all categories of net position, except for business-type unrestricted net position, both for the County as a whole and for its separate governmental and business-type activities.

THIS SPACE LEFT BLANK INTENTIONALLY

Summary of Changes in Net Position

County of Shenandoah, Virginia's Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	$ 2,250,199	$ 2,299,367	$ 3,235,776	$ 3,129,676	$ 5,485,975	$ 5,429,043
Operating grants and contributions	11,213,697	8,263,660	-	-	11,213,697	8,263,660
Capital grants and contributions	79,708	311,238	117,500	36,168	197,208	347,406
General revenues:						
Property taxes	42,461,477	41,148,042	560,226	580,181	43,021,703	41,728,223
Other local taxes	6,924,306	6,524,188	-	-	6,924,306	6,524,188
Other	6,039,286	5,375,955	20,429	16,917	6,059,715	5,392,872
Total revenues	$ 68,968,673	$ 63,922,450	$ 3,933,931	$ 3,762,942	$ 72,902,604	$ 67,685,392
Expenses:						
General government administration	$ 2,844,200	$ 2,897,841	$ -	$ -	$ 2,844,200	$ 2,897,841
Judicial administration	2,214,773	2,042,118	-	-	2,214,773	2,042,118
Public safety	15,601,779	14,947,334	-	-	15,601,779	14,947,334
Public works	1,203,056	1,147,692	-	-	1,203,056	1,147,692
Health and welfare	8,038,337	7,143,608	-	-	8,038,337	7,143,608
Education	27,662,686	28,333,067	-	-	27,662,686	28,333,067
Parks, recreation and culture	1,977,186	1,666,378	-	-	1,977,186	1,666,378
Community development	1,099,573	1,491,749	-	-	1,099,573	1,491,749
Interest	1,879,970	2,037,564	-	-	1,879,970	2,037,564
Business-type activities	-	-	5,118,434	5,102,941	5,118,434	5,102,941
Total expenses	$ 62,521,560	$ 61,707,351	$ 5,118,434	$ 5,102,941	$ 67,639,994	$ 66,810,292
Increase (decrease) in net position before transfers	$ 6,447,113	$ 2,215,099	$ (1,184,503)	$ (1,339,999)	$ 5,262,610	$ 875,100
Transfers	(1,357,419)	(4,236,140)	1,357,419	4,236,140	-	-
Increase (decrease) in net position	$ 5,089,694	$ (2,021,041)	$ 172,916	$ 2,896,141	$ 5,262,610	$ 875,100
Net position beginning, as restated	22,410,338	24,431,379	1,470,623	(1,425,518)	23,880,961	23,005,861
Net position ending	$ 27,500,032	$ 22,410,338	$ 1,643,539	$ 1,470,623	$ 29,143,571	$ 23,880,961

Governmental activities – Governmental activities increased the County's net position by $5,089,694.

Key elements of this increase are as follows:

- Property taxes increased $1,313,435 in fiscal year 2017 compared to fiscal year 2016. This is partly due to higher personal property assessments. The increase is also attributed to higher collections on prior years' real property and personal property accounts as a result of more aggressive collection efforts on delinquent tax accounts.
- Operating grants and contributions increased $2,950,037.
- Other local taxes increased $400,118 mainly related to increased sales tax receipts.
- Transfers decreased by $2,878,721 as a result of the landfill cell development project within the business-type activities and the resultant transfers from governmental activities during fiscal year 2016 that did not occur during fiscal year 2017.
- For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Business-type activities – Business-type activities of the two Sanitary Districts increased the Shenandoah County Government's net position by $430,487. This was an increase of $206,625 from the previous fiscal year. This increase is primarily the result of lower administration and maintenance expenses for the Stoney Creek Sanitary District as compared to the prior fiscal year as well as an increase in capital contributions for the Toms Brook Maurertown Sanitary District.

Two other enterprise funds are included in the business-type activities. First is the North Fork Wastewater Treatment Plant and the second is the Landfill Enterprise Fund. In fiscal year 2011, the North Fork Wastewater Treatment Plant fund was created and the shift generated an increase in assets. In fiscal year 2017, this fund experienced a decrease in assets of $10,006. The Landfill Enterprise Fund was created in fiscal year 2012 in response to the leachate line project. The creation of this fund required significant changes to the financial statements as assets moved from the General Fund to the Landfill Fund. The landfill had a negative impact on the business-type activities of $4,901,373 for fiscal year 2017; however, the General Fund assets benefit from this transfer.

Financial Analysis of the County's Funds

As noted earlier, the County used 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 $27,817,613 an increase of $3,941,695 in comparison with the prior year. Approximately 46% of the total fund balance or $12,871,656 constitutes unassigned fund balance, which is available for spending at the County's discretion. The remainder of fund balance is assigned to indicate that is not available to finance operations as it has been designated by the Board of Supervisors for future capital projects.

The General Fund is the operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the general fund was $12,871,656, while the total fund balance was $19,524,316. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 22.0 percent of total general fund expenditures, while total fund balance represents 33.5 percent of that same amount.

The General Fund's fund balance increased $3,700,565 during the current fiscal year.

Proprietary funds - The Shenandoah County Government's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were a $1,413,546 increase in appropriations and can be briefly summarized as follows:

- $1,111,999 increase in public safety expenditures due in part to the receipt and expenditures associated with various grant and other law enforcement programs including the State and Community Highway Safety, U.S. Forest Service Patrol, Federal Equitable Asset Sharing, Project Lifesaver, Project Backpack, and Triad programs.
- $92,341 increase in community development expenditures primarily due to the receipt of pass-through grant funding.

Fiscal year 2017 actual revenues were approximately $4,538,535 more than the fiscal year 2017 final budgeted revenues. Fiscal year 2017 actual expenditures were approximately $876,748 less than the fiscal year 2017 final budgeted expenditures. Reasons for these variances are briefly summarized as follows:

- General property taxes were $2,315,488 more than the final budgeted revenues primarily due to increased personal property tax collections that were higher than anticipated; this was a result of higher personal property assessments.
- Intergovernmental revenues from the Federal government were $2,054,908 more than the budgeted revenues due to more receipts than anticipated within the Forfeited drug assets.
- Education expenditures were $563,209 less than the budgeted expenditures as a result of less transfers to the County School Board throughout the fiscal year.
- Capital project expenditures were $339,279 less than the final budgeted expenditures due to the delay in completion of several capital projects that carried over into the subsequent fiscal year.

Capital Asset and Debt Administration

Capital assets - The County's investment in capital assets for its governmental activities as of June 30, 2017, amounts to $44,299,779 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and machinery and equipment. The total of the County's investment in capital assets for the current fiscal year did not significantly change from the prior fiscal year.

THIS SPACE LEFT BLANK INTENTIONALLY

County of Shenandoah, Virginia's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	$ 4,592,816	$ 4,592,816	$ 503,500	$ 503,500	$ 5,096,316	$ 5,096,316
Building and improvements	47,384,496	49,897,072	-	-	47,384,496	49,897,072
Utility plant in service	-	-	32,634,661	28,709,118	32,634,661	28,709,118
Equipment	9,165,600	8,681,364	-	-	9,165,600	8,681,364
Construction in progress	1,025,547	757,789	305,357	3,498,150	1,330,904	4,255,939
Subtotal	$ 62,168,459	$ 63,929,041	$ 33,443,518	$ 32,710,768	$ 95,611,977	$ 96,639,809
Accumulated depreciation	(17,868,680)	(16,811,807)	(20,538,971)	(19,754,127)	(38,407,651)	(36,565,934)
Net capital assets	$ 44,299,779	$ 47,117,234	$ 12,904,547	$ 12,956,641	$ 57,204,326	$ 60,073,875

Additional information on the County's capital assets can be found in Note 9.

Long-term debt - At the end of the current fiscal year, the County had total bonded debt outstanding of $41,884,295. The bonded debt outstanding comprises debt backed by the full faith and credit of the County.

During the current fiscal year, the County's long-term bonded debt decreased by $4,208,929.

Additional information on the County of Shenandoah, Virginia's long-term debt can be found in Note 12 of this report.

Economic Factors and Next Year's Budgets and Rates

- The June 2017 unemployment rate for the County was 3.7 percent, which is a decrease from a rate of 4.3 percent in June 2016. The County's rate is slightly lower than the state average of 4.0 percent and the national average rate of 4.9 percent.
- Growth in the County is expected to continue to remain slow, which will continue to cause general property and other local tax revenues to experience minimal growth.
- Earnings on idle cash continue to remain at low levels.
- It is expected that the Commonwealth of Virginia may continue to decrease its funding to localities, particularly given the impact of federal government budgetary cuts to the Commonwealth.

All of these factors were considered in preparing the County's budget for fiscal year 2017.

Requests for Information

This financial report is designed to provide a general overview of the finances of the County of Shenandoah, Virginia. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County of Shenandoah Department of Finance, 600 N. Main Street; Suite 102, Woodstock, Virginia 22664.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

COUNTY OF SHENANDOAH, VIRGINIA **Exhibit 1**
Statement of Net Position
June 30, 2017

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	Library
ASSETS					
Cash and cash equivalents	$ 25,759,331	$ 1,265,720	$ 27,025,051	$ 6,408,172	$ 281,180
Cash in custody of others	9,392	-	9,392	-	-
Restricted cash	-	310,260	310,260	-	-
Receivables (net of allowance for uncollectibles):					
Taxes receivable	22,595,920	314,940	22,910,860	-	-
Accounts receivable	1,198,271	434,036	1,632,307	104,843	-
Internal balances	48,431	(48,431)	-	-	-
Due from component unit	1,953,561	-	1,953,561	-	-
Due from other governmental units	2,040,190	-	2,040,190	1,715,531	4,997
Inventories	-	-	-	81,989	-
Prepaid items	42,998	6,618	49,616	12,074	21,362
Deposits	-	-	-	5,000	-
Capital assets (net of accumulated depreciation):					
Land	4,592,816	503,500	5,096,316	5,725,275	-
Buildings and improvements	36,739,449	4,626,331	41,365,780	39,983,888	180,020
Wells, lines, reservoirs	-	4,546,595	4,546,595	-	-
Machinery and equipment	1,941,967	2,922,764	4,864,731	1,702,313	9,328
Construction in progress	1,025,547	305,357	1,330,904	-	-
Total assets	$ 97,947,873	$ 15,187,690	$ 113,135,563	$ 55,739,085	$ 496,887
DEFERRED OUTFLOWS OF RESOURCES					
Pension contributions subsequent to measurement date	$ 1,041,936	$ 149,739	$ 1,191,675	$ 5,174,593	$ -
Items related to measurement of net pension liability	966,789	93,925	1,060,714	5,157,046	-
Total deferred outflows of resources	$ 2,008,725	$ 243,664	$ 2,252,389	$ 10,331,639	$ -
LIABILITIES					
Accounts payable	$ 965,953	$ 416,159	$ 1,382,112	$ 5,360,486	$ -
Accrued interest payable	541,966	6,718	548,684	-	-
Due to primary government	-	-	-	1,953,561	-
Unearned revenue	345,931	-	345,931	-	-
Deposits payable-restricted assets	-	25,600	25,600	-	-
Long-term liabilities:					
Due within one year	4,575,292	206,878	4,782,170	225,951	-
Due in more than one year	43,693,983	12,744,300	56,438,283	67,612,672	-
Total liabilities	$ 50,123,125	$ 13,399,655	$ 63,522,780	$ 75,152,670	$ -
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue-property taxes	$ 21,237,486	$ 275,492	$ 21,512,978	$ -	$ -
Deferred charge refunding	266,936	-	266,936	-	-
Items related to measurement of net pension liability	829,019	112,668	941,687	2,497,988	-
Total deferred inflows of resources	$ 22,333,441	$ 388,160	$ 22,721,601	$ 2,497,988	$ -
NET POSITION					
Net investment in capital assets	$ 5,506,961	$ 11,391,963	$ 16,898,924	$ 47,411,476	$ 189,348
Restricted:					
Asset forfeiture	5,648,061	-	5,648,061	-	-
Unrestricted (deficit)	16,345,010	(9,748,424)	6,596,586	(58,991,410)	307,539
Total net position	$ 27,500,032	$ 1,643,539	$ 29,143,571	$ (11,579,934)	$ 496,887

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

COUNTY OF SHENANDOAH, VIRGINIA
Statement of Activities
For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	$ 2,844,200	$ 75,202	$ 302,269	$ -
Judicial administration	2,214,773	237,787	861,728	-
Public safety	15,601,779	741,236	5,182,734	-
Public works	1,203,056	-	18,221	-
Health and welfare	8,038,337	-	4,812,485	-
Education	27,662,686	-	-	-
Parks, recreation, and cultural	1,977,186	844,570	6,260	-
Community development	1,099,573	351,404	30,000	79,708
Interest on long-term debt	1,879,970	-	-	-
Total governmental activities	$ 62,521,560	$ 2,250,199	$ 11,213,697	$ 79,708
Business-type activities:				
Stoney Creek Sanitary District	$ 1,368,344	$ 1,117,368	$ -	$ 10,000
Toms Brook Maurertown Sanitary District	682,358	665,736	-	107,500
North Fork Wastewater	265,486	85,581		-
Landfill	2,802,246	1,367,091	-	-
Total business-type activities	5,118,434	3,235,776	-	117,500
Total primary government	$ 67,639,994	$ 5,485,975	$ 11,213,697	$ 197,208
COMPONENT UNITS:				
School Board	$ 69,631,589	$ 3,844,298	$ 38,339,563	$ 8,272
Library	956,796	27,456	970,254	-
Total component units	$ 70,588,385	$ 3,871,754	$ 39,309,817	$ 8,272
General revenues:				
General property taxes				
Local sales tax				
Consumer utility taxes				
Motor vehicle licenses				
Tax on recordation and wills				
Other local taxes				
Unrestricted revenues from use of money and property				
Miscellaneous				
Grants and contributions not restricted to specific programs				
Transfers				
Total general revenues and transfers				
Change in net positiion				
Net position - beginning, as restated				
Net position - ending				

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

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	School Board	Library
$ (2,466,729)	$ -	$ (2,466,729)	$ -	$ -
(1,115,258)	-	(1,115,258)	-	-
(9,677,809)	-	(9,677,809)	-	-
(1,184,835)	-	(1,184,835)	-	-
(3,225,852)	-	(3,225,852)	-	-
(27,662,686)	-	(27,662,686)	-	-
(1,126,356)	-	(1,126,356)	-	-
(638,461)	-	(638,461)	-	-
(1,879,970)	-	(1,879,970)	-	-
$ (48,977,956)	$ -	$ (48,977,956)	$ -	$ -
$ -	$ (240,976)	$ (240,976)	$ -	$ -
-	90,878	90,878	-	-
-	(179,905)	(179,905)	-	-
-	(1,435,155)	(1,435,155)	-	-
-	(1,765,158)	(1,765,158)	-	-
$ (48,977,956)	$ (1,765,158)	$ (50,743,114)	$ -	$ -
$ -	$ -	$ -	$ (27,439,456)	$ -
-	-	-	-	40,914
$ -	$ -	$ -	$ (27,439,456)	$ 40,914
$ 42,461,477	$ 560,226	$ 43,021,703	$ -	$ -
3,536,415	-	3,536,415	-	-
1,937,678	-	1,937,678	-	-
871,435	-	871,435	-	-
410,384	-	410,384	-	-
168,394	-	168,394	-	-
569,096	12,389	581,485	34,599	339
1,323,671	8,040	1,331,711	219,748	217
4,146,519	-	4,146,519	27,617,340	7,626
(1,357,419)	1,357,419	-	-	-
$ 54,067,650	$ 1,938,074	$ 56,005,724	$ 27,871,687	$ 8,182
$ 5,089,694	$ 172,916	$ 5,262,610	$ 432,231	$ 49,096
22,410,338	1,470,623	23,880,961	(12,012,165)	447,791
$ 27,500,032	$ 1,643,539	$ 29,143,571	$ (11,579,934)	$ 496,887

FUND FINANCIAL STATEMENTS

COUNTY OF SHENANDOAH, VIRGINIA **Exhibit 3**
Balance Sheet
Governmental Funds
June 30, 2017

	Governmental Funds			
	General	County Capital Projects	Total Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 17,466,034	$ 8,104,694	$ 188,603	$ 25,759,331
Cash in custody of others	9,392	-	-	9,392
Receivables (net of allowance for uncollectibles):				
Taxes receivable	22,595,920	-	-	22,595,920
Accounts receivable	1,198,271	-	-	1,198,271
Due from other funds	48,431	-	-	48,431
Due from component unit	1,953,561	-	-	1,953,561
Due from other governmental units	2,040,190	-	-	2,040,190
Prepaid items	42,998	-	-	42,998
Total assets	$ 45,354,797	$ 8,104,694	$ 188,603	$ 53,648,094
LIABILITIES				
Accounts payable and accrued liabilities	$ 965,953	$ -	$ -	$ 965,953
Unearned revenue	345,931	-	-	345,931
Total liabilities	$ 1,311,884	$ -	$ -	$ 1,311,884
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	$ 24,518,597	$ -	$ -	$ 24,518,597
FUND BALANCES				
Nonspendable	$ 42,998	$ -	$ -	$ 42,998
Restricted	5,648,061	-	-	5,648,061
Assigned	961,601	8,104,694	188,603	9,254,898
Unassigned	12,871,656	-	-	12,871,656
Total fund balances	$ 19,524,316	$ 8,104,694	$ 188,603	$ 27,817,613
Total liabilities, deferred inflows of resources and fund balances	$ 45,354,797	$ 8,104,694	$ 188,603	$ 53,648,094

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

COUNTY OF SHENANDOAH, VIRGINIA **Exhibit 4**

Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
June 30, 2017

		Primary Government
Amounts reported for governmental activities in the statement of net position are different because:		
Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	$	27,817,613
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		44,299,779
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		2,185,156
Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds.		1,041,936
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		(47,844,452)
Net position of governmental activities	$	27,500,032

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

COUNTY OF SHENANDOAH, VIRGINIA **Exhibit 5**

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2017

	Governmental Funds				
	General	Debt Service	County Capital Projects	Total Nonmajor Funds	Total Governmental Funds
REVENUES					
General property taxes	$ 42,563,588	$ -	$ -	$ -	$ 42,563,588
Other local taxes	6,924,306	-	-	-	6,924,306
Permits, privilege fees, and regulatory licenses	372,308	-	-	-	372,308
Fines and forfeitures	60,697	-	-	-	60,697
Revenue from the use of money and property	569,096	-	-	-	569,096
Charges for services	1,817,194	-	-	-	1,817,194
Miscellaneous	451,294	514,302	241,130	-	1,206,726
Recovered costs	526,766	-	-	-	526,766
Intergovernmental:					
Commonwealth	10,317,912	-	-	-	10,317,912
Federal	5,122,012	-	-	-	5,122,012
Total revenues	$ 68,725,173	$ 514,302	$ 241,130	$ -	$ 69,480,605
EXPENDITURES					
Current:					
General government administration	$ 2,488,722	$ -	$ -	$ -	$ 2,488,722
Judicial administration	1,971,210	-	-	-	1,971,210
Public safety	15,198,189	-	-	-	15,198,189
Public works	1,140,004	-	-	-	1,140,004
Health and welfare	8,037,115	-	-	-	8,037,115
Education	25,490,023	-	-	-	25,490,023
Parks, recreation, and cultural	1,944,929	-	-	-	1,944,929
Community development	1,377,922	-	-	-	1,377,922
Nondepartmental	21,829	-	-	-	21,829
Capital projects	255,451	-	-	-	255,451
Debt service:					
Principal retirement	321,058	3,839,777	-	-	4,160,835
Interest and other fiscal charges	12,462	2,082,800	-	-	2,095,262
Total expenditures	$ 58,258,914	$ 5,922,577	$ -	$ -	$ 64,181,491
Excess (deficiency) of revenues over (under) expenditures	$ 10,466,259	$ (5,408,275)	$ 241,130	$ -	$ 5,299,114
OTHER FINANCING SOURCES (USES)					
Transfers in	$ -	$ 5,408,275	$ -	$ -	$ 5,408,275
Transfers out	(6,765,694)	-	-	-	(6,765,694)
Total other financing sources (uses)	$ (6,765,694)	$ 5,408,275	$ -	$ -	$ (1,357,419)
Net change in fund balances	$ 3,700,565	$ -	$ 241,130	$ -	$ 3,941,695
Fund balances - beginning	15,823,751	-	7,863,564	188,603	23,875,918
Fund balances - ending	$ 19,524,316	$ -	$ 8,104,694	$ 188,603	$ 27,817,613

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

COUNTY OF SHENANDOAH, VIRGINIA **Exhibit 6**
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, 2017

		Primary Government
Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds	$	3,941,695
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.		(2,934,400)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.		116,945
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		385,992
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		4,320,217
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.		(740,755)
Change in net position of governmental activities	$	5,089,694

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

COUNTY OF SHENANDOAH, VIRGINIA **Exhibit 7**
Statement of Net Position
Proprietary Funds
June 30, 2017

	Enterprise Funds				
	Stoney Creek Sanitary District	Toms Brook Maurertown Sanitary District	North Fork Wastewater	Landfill	Total
ASSETS					
Current assets:					
Cash and cash equivalents	$ 500,435	$ 764,824	$ -	$ 88,559	$ 1,353,818
Restricted cash	8,850	16,750	-	284,660	310,260
Taxes receivable, net of allowances for uncollectibles	286,239	28,701	-	-	314,940
Accounts receivable, net of allowances for uncollectibles	210,607	77,553	25,917	119,959	434,036
Prepaid items	3,455	3,163	-	-	6,618
Total current assets	$ 1,009,586	$ 890,991	$ 25,917	$ 493,178	$ 2,419,672
Noncurrent assets:					
Capital assets (net of accumulated depreciation):					
Land	$ 37,251	$ 84,047	$ 4,950	$ 377,252	$ 503,500
Building and improvements	-	-	41,395	4,584,936	4,626,331
Wells, lines, reservoirs	2,611,340	1,935,255	-	-	4,546,595
Machinery and equipment	627,439	35,208	1,238,479	1,021,638	2,922,764
Construction in progress	219,746	71,799	-	13,812	305,357
Total noncurrent assets	$ 3,495,776	$ 2,126,309	$ 1,284,824	$ 5,997,638	$ 12,904,547
Total assets	$ 4,505,362	$ 3,017,300	$ 1,310,741	$ 6,490,816	$ 15,324,219
DEFERRED OUTFLOWS OF RESOURCES					
Pension contributions subsequent to measurement date	$ 56,937	$ 19,950	$ -	$ 72,852	$ 149,739
Items related to measurement of net pension liability	31,343	6,057	-	56,525	93,925
Total deferred outflows of resources	$ 88,280	$ 26,007	$ -	$ 129,377	$ 243,664
LIABILITIES					
Current liabilities:					
Reconciled overdraft	$ -	$ -	$ 88,098	$ -	$ 88,098
Accounts payable	7,331	18,387	3,961	386,480	416,159
Deposits payable-restricted assets	8,850	16,750	-	-	25,600
Accrued interest payable	-	584	2,437	3,697	6,718
Due to other funds	-	48,431	-	-	48,431
Compensated absences	13,450	3,732	-	19,973	37,155
Bonds payable	-	22,687	57,665	-	80,352
Capital leases	-	-	-	89,371	89,371
Total current liabilities	$ 29,631	$ 110,571	$ 152,161	$ 499,521	$ 791,884
Noncurrent liabilities:					
Compensated absences	$ 40,349	$ 11,194	$ -	$ 59,919	$ 111,462
Bonds payable	-	315,489	945,373	-	1,260,862
Capital leases	-	-	-	366,659	366,659
Landfill closure and post-closure care	-	-	-	10,173,366	10,173,366
Net pension liability	306,427	102,143	-	327,733	736,303
Net OPEB Obligations	42,493	7,997	-	45,158	95,648
Total noncurrent liabilities	$ 389,269	$ 436,823	$ 945,373	$ 10,972,835	$ 12,744,300
Total liabilities	$ 418,900	$ 547,394	$ 1,097,534	$ 11,472,356	$ 13,536,184
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue-property taxes	$ 247,825	$ 27,667	$ -	$ -	$ 275,492
Items related to measurement of net pension liability	47,341	16,117	-	49,210	112,668
Total deferred inflows of resources	$ 295,166	$ 43,784	$ -	$ 49,210	$ 388,160
NET POSITION					
Net investment in capital assets	$ 3,495,776	$ 1,788,133	$ 281,786	$ 5,826,268	$ 11,391,963
Unrestricted	383,800	663,996	(68,579)	(10,727,641)	(9,748,424)
Total net position	$ 3,879,576	$ 2,452,129	$ 213,207	$ (4,901,373)	$ 1,643,539

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

COUNTY OF SHENANDOAH, VIRGINIA **Exhibit 8**
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2017

	Enterprise Funds				
	Stoney Creek Sanitary District	Toms Brook Maurertown Sanitary District	North Fork Wastewater	Landfill	Total
OPERATING REVENUES					
Charges for services:					
Water sales	$ 454,743	$ 247,309	$ -	$ -	$ 702,052
Sewer sales	662,625	400,052	-	-	1,062,677
Septage income	-	18,375	85,581	-	103,956
Waste collection charges	-	-	-	1,367,091	1,367,091
Total operating revenues	$ 1,117,368	$ 665,736	$ 85,581	$ 1,367,091	$ 3,235,776
OPERATING EXPENSES					
Treatment and purification	$ 536,986	$ 168,921	$ -	$ -	$ 705,907
Maintenance	184,721	110,686	185,800	-	481,207
Administration	226,797	133,998	-	-	360,795
Other	284,923	75,126	10,159	-	370,208
Refuse collection	-	-	-	731,793	731,793
Refuse disposal	-	-	-	1,349,177	1,349,177
Landfill closure and post-closure costs	-	-	-	208,712	208,712
Depreciation and amortization	133,323	177,913	39,308	507,300	857,844
Total operating expenses	$ 1,366,750	$ 666,644	$ 235,267	$ 2,796,982	$ 5,065,643
Operating income (loss)	$ (249,382)	$ (908)	$ (149,686)	$ (1,429,891)	$ (1,829,867)
NONOPERATING REVENUES (EXPENSES)					
General property taxes	$ 503,835	$ 56,391	$ -	$ -	$ 560,226
Investment earnings	5,352	6,967	-	70	12,389
Other	7,458	582	-	-	8,040
Interest expense	(1,594)	(15,714)	(30,219)	(5,264)	(52,791)
Total nonoperating revenues (expenses)	$ 515,051	$ 48,226	$ (30,219)	$ (5,194)	$ 527,864
Income before contributions and transfers	$ 265,669	$ 47,318	$ (179,905)	$ (1,435,085)	$ (1,302,003)
Capital contributions	$ 10,000	$ 107,500	$ -	$ -	$ 117,500
Transfers in	-	-	169,899	1,187,520	1,357,419
Change in net position	$ 275,669	$ 154,818	$ (10,006)	$ (247,565)	$ 172,916
Total net position - beginning, as restated	$ 3,603,907	$ 2,297,311	$ 223,213	$ (4,653,808)	$ 1,470,623
Total net position - ending	$ 3,879,576	$ 2,452,129	$ 213,207	$ (4,901,373)	$ 1,643,539

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

COUNTY OF SHENANDOAH, VIRGINIA **Exhibit 9**
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2017

	Enterprise Funds				
	Stoney Creek Sanitary District	Toms Brook Maurertown Sanitary District	North Fork Wastewater	Landfill	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	$ 1,134,459	$ 664,643	$ 67,113	$ 1,367,807	$ 3,234,022
Payments to suppliers	(466,204)	(260,281)	(118,452)	(387,105)	(1,232,042)
Payments to employees	(799,797)	(259,777)	-	(1,508,437)	(2,568,011)
Net cash provided (used for) operating activities	$ (131,542)	$ 144,585	$ (51,339)	$ (527,735)	$ (566,031)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds	$ -	$ -	$ 169,899	$ 1,187,520	$ 1,357,419
General property taxes	502,053	57,693	-	-	559,746
Net cash provided (used for) noncapital financing activities	$ 502,053	$ 57,693	$ 169,899	$ 1,187,520	$ 1,917,165
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase and construction of capital assets	$ (167,924)	$ (85,304)	$ -	$ (552,522)	$ (805,750)
Capital leases	-	-	-	330,260	330,260
Principal paid on capital debt	(150,000)	(21,688)	(58,032)	(61,237)	(290,957)
Interest paid on capital debt	(3,094)	(15,751)	(30,528)	(3,137)	(52,510)
Capital contributions	10,000	107,500	-	-	117,500
Net cash provided (used for) capital and related financing activities	$ (311,018)	$ (15,243)	$ (88,560)	$ (286,636)	$ (701,457)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest income	$ 5,352	$ 6,967	$ -	$ 70	$ 12,389
Net cash provided (used for) investing activities	$ 5,352	$ 6,967	$ -	$ 70	$ 12,389
Net increase (decrease) in cash and cash equivalents	$ 64,845	$ 194,002	$ 30,000	$ 373,219	$ 662,066
Cash and cash equivalents (including restricted cash)- beginning	444,440	587,572	(30,000)	-	1,002,012
Cash and cash equivalents (including restricted cash)- ending	$ 509,285	$ 781,574	$ -	$ 373,219	$ 1,664,078
Reconciliation of operating income (loss) to net cash used by operating activities:					
Operating income (loss)	$ (249,382)	$ (908)	$ (149,686)	$ (1,429,891)	$ (1,829,867)
Adjustments to reconcile operating loss to net cash provided (used for) operating activities:					
Depreciation and amortization expense	$ 133,323	$ 177,913	$ 39,308	$ 507,300	$ 857,844
Other non-operating income	7,458	582	-	-	8,040
Non-cash closure and post closure costs (recovery)	-	-	-	208,712	208,712
(Increase) decrease in accounts receivable	5,360	(2,025)	(18,468)	716	(14,417)
(Increase) decrease in prepaid items	(195)	(140)	-	-	(335)
(Increase) decrease in due from other funds	4,723	-	-	-	4,723
(Increase) decrease in deferred outflows of resources	(13,620)	74	-	(54,574)	(68,120)
Increase (decrease) in accounts payable and accrued liabilities	(44,997)	(14,807)	82,230	143,052	165,478
Increase (decrease) in due to other funds	-	(18,375)	(4,723)	-	(23,098)
Increase (decrease) in compensated absences	(4,055)	(1,370)	-	32,549	27,124
Increase (decrease) in deposits payable	(450)	350	-	-	(100)
Increase (decrease) in net pension liability	66,722	18,408	-	87,568	172,698
Increase (decrease) in deferred inflows of resources	(41,958)	(16,158)	-	(29,041)	(87,157)
Increase (decrease) in net OPEB obligation	5,529	1,041	-	5,874	12,444
Total adjustments	$ 117,840	$ 145,493	$ 98,347	$ 902,156	$ 1,263,836
Net cash provided (used for) operating activities	$ (131,542)	$ 144,585	$ (51,339)	$ (527,735)	$ (566,031)
Schedule of non-cash capital and related financing activities:					
Landfill closure and post-closure costs (recovery)	$ -	$ -	$ -	$ 208,712	$ -

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

COUNTY OF SHENANDOAH, VIRGINIA **Exhibit 10**
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

		Agency Funds
ASSETS		
Cash and cash equivalents	$	581,280
Receivables:		
Accounts receivable		325,695
Total assets	$	906,975
LIABILITIES		
Amounts held for social service clients	$	11,313
Amounts held for locality rescue agencies		895,662
Total liabilities	$	906,975

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

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Financial Reporting Entity

The County of Shenandoah, Virginia (government) is a municipal corporation governed by an elected six-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. The Stoney Creek and Toms Brook-Maurertown Sanitary Districts account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the County is that the cost of providing services to the general public be financed or recovered through user charges. The Sanitary Districts are governed by the County Board of Supervisors, benefit the primary government even though it does not provide services directly to it, and are reported as blended component units.

Discretely presented component units. The Shenandoah County School Board (Board) is responsible for elementary and secondary education within the government's jurisdiction. The members of the Board's governing board are elected by the voters. However, the government is financially accountable for the Board because the government's council approves the Boards' budget, levies taxes (if necessary), and must approve any debt issuances. The Shenandoah County School Board does not prepare separate financial statements.

The Shenandoah County Library operates to provide services to the citizens of the County. The Board of Supervisors appoints the Library Trustees as well as provides significant funding to the Library. Complete financial statements for the Library can be obtained from their offices in Edinburg, Virginia.

Other Organizations

Included in the County's Financial Report: None

Excluded from the County's Financial Report:

Joint Venture – The County of Rappahannock, the County of Shenandoah, and the County of Warren participate in supporting the Rappahannock-Shenandoah-Warren (RSW) Regional Jail, which serves as the localities' regional adult detention center. The RSW Regional Jail became operational on July 1, 2014. The RSW Regional Jail is governed by a nine-member board, an Authority, consisting of three members each from the three participating counties. The participating localities pay a per diem charge each year based on the participating localities' usage of the jail for the preceding three years. In April 2012, the RSW Regional Jail Authority issued $45,240,000 in moral obligation bonds with varying annual payments, with a final maturity at April 1, 2043. The bonds were issued at a premium of $4,992,732. The outstanding principal portion and unamortized premium of the bonds for the RSW Regional Jail at June 30, 2017 total $49,072,816. While the participating localities have an ongoing financial responsibility to fund the RSW Regional Jail debt should it lack sufficient funds to make scheduled debt service payments, the participating localities do not have an equity interest in the jail. During fiscal year 2017, the County contributed $2,354,701 for the operations of the jail.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

A. Financial Reporting Entity (Continued)

Other Organizations (Continued)

Excluded from the County's Financial Report: (Continued)

Summary financial information for the RSW Regional Jail at June 30, 2017 is provided below:

		RSW Regional Jail
Total assets and deferred outflows of resources	$	78,515,844
Total liabilities and deferred inflows of resources		50,287,751
Total net position	$	28,228,093
For the year ended June 30, 2017		
Operating revenue	$	13,009,454
Operating expenses		(12,308,445)
Nonoperating income (expense)		(1,899,469)
Change in net position	$	(1,198,460)
Net position at beginning of year		29,426,553
Net position at end of year	$	28,228,093

Complete financial statements for the RSW Regional Jail can be obtained from the Jail Superintendent at 6601 Winchester Road, Front Royal, Virginia 22630.

Jointly Governed Organizations – The County, in conjunction with other localities has created the Northwestern Regional Juvenile Detention Center and the Northwestern Community Services Board. The School Board participates in the Shenandoah Valley Regional Program for Special Education. The governing bodies of these organizations are appointed by the respective governing bodies of the participating jurisdictions. During the year, the County contributed $241,646 for operations to the Northwestern Community Services Board and $454,421 to the Northwestern Regional Juvenile Detention Center. The School Board contributed $1,870,545 to the Shenandoah Valley Regional Program for operations. The County does not maintain an ongoing financial interest or 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.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

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

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund 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. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government 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 another fund. The General Fund includes the activities for Virginia Public Assistance, Forfeited Drug Assets, Sheriff Federal Case, Jail Canteen, Law Library, Transient Occupancy, Gypsy Moth, Spay/Neuter, Pump and Haul, Seven Bends Day Care, Jail Telephone, Purchase Development Rights, Project Lifesaver, Triad, Crime Prevention, DARE, Sludge Disposal and Landfill Recovery Funds.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

The *debt service fund* accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for principal and interest. It also is used to report the financial resources being accumulated for future debt service. The County Debt Service Fund is a major fund of the County.

The *capital projects fund* accounts for and reports financial resources that are restricted, committed or assigned to expenditure for capital outlays, except for those financed by proprietary funds or for assets held in trust for individuals, private organizations, or other governments. The County Capital Projects Fund is a major fund of the County.

The government reports the following major proprietary funds:

The *Stoney Creek Sanitary District and Toms Brook-Maurertown Sanitary District funds* account for the activities of the Districts blended component units of the government. The Districts operate the sewage treatment plant, sewage pumping stations and collection systems, and the water distribution systems of the County.

The *North Fork Wastewater fund* accounts for the activity of the leachate services provided at the sewage treatment plant. It was created on June 30, 2011 to account for this activity and to segregate operations for the 2011 general obligation bond issue.

The *Landfill fund* accounts for the activity of the refuse disposal services provided to the residents of the County. It was created on June 30, 2012 to account for this activity and to segregate operations for the 2011 general obligation bond issue.

The government reports the following governmental fund types:

Special revenue fund accounts for and reports the proceeds of the specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. The Landfill Contingency Fund is a nonmajor special revenue fund of the County.

Capital projects fund accounts for and reports financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds. The Industrial Park Water and Sewer Fund is a nonmajor capital projects fund of the County.

The government reports the following fiduciary fund types:

Agency funds account for assets held by the County as an agent or custodian for individuals, private organizations, other governmental units or other funds. The special welfare, and ambulance recovery accounts are the County's agency funds.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are other charges between the government's enterprise funds and various other functions of the government. 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. The principal operating revenues of the Sanitary Districts, and government's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

1. Cash and cash equivalents

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

State statutes authorize the government and the School Board to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool.

2. Receivables and payables

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

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

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. Taxes are due and collectible semi-annually on June 5th and December 5th. 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 $1,505,992 at June 30, 2017 and is comprised solely of property taxes. This allowance represents 0.7429% of the total levies for the previous six years.

Accounts receivable are stated at book value. The Sanitary Districts calculate their allowance for uncollectible utility accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to $559 for Toms Brook-Maurertown Sanitary District and $5,472 for Stoney Creek Sanitary District at June 30, 2017.

5. Inventories and prepaid items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Quantities on hand at year-end are considered immaterial and have not been recorded, except in the School Cafeteria Fund where it can be easily measured.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

6. Restricted assets

At June 30, 2017, the County's restricted assets consisted of unspent debt proceeds in the Landfill fund in the amount of $284,660 and Sanitary Districts customer deposits in the amount of $25,600.

7. Capital assets

Capital assets, which include property, plant, and equipment, 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 five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

7. Capital assets (continued)

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

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

Assets	Years
Buildings	50
Wells, lines and reservoirs	40-50
Building improvements	20
Vehicles	5
Office equipment	5
Computer equipment	5

8. Compensated absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

9. Long-term obligations

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

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

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

10. Fund equity

The County reports fund balance in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are only reported in the general fund.

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

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

In the general fund, the County strives to maintain an unassigned fund balance to be used for unanticipated emergencies of approximately 12.5% of the actual GAAP basis expenditures and other financing sources and uses.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

10. Fund equity (continued)

The detail of the County's governmental fund balances are detailed below:

	General Fund	Major Capital Projects Fund	Other Funds	Total
Fund Balances:				
Nonspendable:				
Prepaid items	$ 42,998	$ -	$ -	$ 42,998
Restricted:				
Asset forfeiture proceeds-Virginia	$ 78,755	$ -	$ -	$ 78,755
Asset forfeiture proceeds-Federal	5,569,306	-	-	5,569,306
Total Restricted	$ 5,648,061	$ -	$ -	$ 5,648,061
Assigned:				
Capital projects	$ -	$ 8,104,694	$ 100,084	$ 8,204,778
KidzRec	183,005	-	-	183,005
Gypsy moth	10,655	-	-	10,655
Purchase development rights	2,503	-	-	2,503
Project lifesaver	9,283	-	-	9,283
Triad	6,360	-	-	6,360
Sheriff federal cases	19,014	-	-	19,014
Spay and neuter	76,967	-	-	76,967
Pump and haul	18,355	-	-	18,355
Crime prevention	2,868	-	-	2,868
Jail canteen	36,602	-	-	36,602
Sludge disposal	360,249	-	-	360,249
Landfill recovery	231,649	-	-	231,649
DARE	4,091	-	88,519	92,610
Total Assigned	$ 961,601	$ 8,104,694	$ 188,603	$ 9,254,898
Unassigned	$ 12,871,656	$ -	$ -	$ 12,871,656
Total Fund Balances	$ 19,524,316	$ 8,104,694	$ 188,603	$ 27,817,613

11. 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.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

12. Net position flow assumption

Sometimes the County will fund outlays for a particular purpose from both restricted (e.g. restricted bond and grant proceeds) and unrestricted resources, in order to calculate the amounts to report as restricted – net position and unrestricted – net position in the 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.

13. Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

E. Investments

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

F. 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.

G. 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 (expenditure) until then. The County has two items that qualify for reporting in this category. One item is comprised of certain items related to the measurement of the net pension asset. These include differences between expected and actual experience, change in assumptions, the net difference between projected and actual earnings on pension plan investments. The other item is comprised of contributions to the pension plan made during the current year and subsequent to the net pension asset measurement date, which will be recognized as a reduction of the net pension asset next fiscal year. For more detailed information on this item, reference the pension note.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

G. Deferred Outflows/Inflows of Resources (continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has three 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. The County also shows a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. 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, the net differences between projected and actual earnings on pension plan investments, and changes in proportion and differences between employer contributions and proportionate share of contributions. For more detailed information on these items, reference the pension note.

H. 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 Primary Government's Retirement Plan and the additions to/deductions from the Primary Government's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2—RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes a reconciliation between *fund balance—total governmental funds* and *net position—governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of these differences are as follows:

	Primary Government	Component Unit School Board
General obligation bonds	$ (31,236,591)	$ -
Lease revenue bonds payable	(6,720,000)	-
Unamortized bond premium	(1,328,490)	-
Literary loans payable	(1,258,000)	-
Accrued interest payable	(541,966)	-
Capital leases payable	(616,021)	-
Net pension liability	(5,530,110)	(63,720,819)
Net OPEB obligation	(688,352)	(3,214,000)
Deferred outflows related to measurement of net pension liability	966,789	5,157,046
Compensated absences	(891,711)	(903,804)
Net adjustment to reduce fund balance-total governmental funds to arrive at *net position-governmental activities*	$ (47,844,452)	$ (62,681,577)

Another element of that reconciliation states that "other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds." The details of these differences are as follows:

	Primary Government	Component Unit School Board
Unavailable revenue - property taxes	$ 3,281,111	$ -
Deferred charge on refunding	(266,936)	-
Deferred inflows related to measurement of net pension	(829,019)	(2,497,988)
Net adjustment to reduce *fund balance-total governmental funds* to arrive at *net position-governmental*	$ 2,185,156	$ (2,497,988)

NOTE 2—RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED):

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities (continued)

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances—total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of these differences are as follows:

	Primary Government	Component Unit School Board
Capital outlay	$ 545,606	$ 1,671,957
Depreciation expense	(1,307,343)	(2,474,500)
Primary government capital asset allocation	(2,172,663)	2,172,663
Net adjustment to increase (decrease) net changes in fund balances-total governmental funds to arrive at *changes in net position of governmental activities*	$ (2,934,400)	$ 1,370,120

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

	Primary Government
Principal repayments:	
Amortization of premium on bond issue	$ 139,432
Amortization of deferred amount on refunding	19,950
Principal repayments:	
General obligation bonds	3,245,277
Lease revenue bonds	280,000
Literary loans	314,500
Capital leases	321,058
Net adjustment to increase net changes in fund balances-total governmental funds to arrive at *changes in net position of governmental activities*	$ 4,320,217

NOTE 2—RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED):

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities (continued)

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of these differences are as follows:

	Primary Government	Component Unit School Board
Compensated absences	$ 34,482	$ (35,065)
Accrued interest payable	55,910	-
Net pension liability	(1,492,846)	(7,542,902)
Deferred outflows related to pension payments subsequent to the measurement date	(215,534)	129,269
Deferred outflows related to the neasurement of the net pension liability	966,789	4,188,046
Net OPEB obligation	(89,556)	(410,000)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at *changes in net position of governmental activities*	$ (740,755)	$ (3,670,652)

Another element of that reconciliation states that "revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds." The details of these differences are as follows:

	Primary Government	Component Unit School Board
Property Taxes	$ (102,111)	$ -
Changes in deferred inflows related to the measurement of the net pension liability	488,103	2,626,468
Net adjustment to increase (decrease) *net changes in fund balances-total governmental funds* to arrive at *changes in net position of governmental activities*	$ 385,992	$ 2,626,468

NOTE 3—STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

A. Budgets and Budgetary Accounting

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

1. Prior to March 30, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
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. The appropriation for each function can be revised only by the Board of Supervisors. The County Administrator is authorized to transfer budgeted amounts within general government activities and the School Board is authorized to transfer budgeted amounts within the school system's categories. The legal level of budgetary control is at the function level.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund. The School Fund and School Cafeteria Fund are integrated only at the level of legal adoption.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30 for all County units.
8. Budgetary data presented in the accompanying financial statements includes both the original and the amended budget for the year ended June 30, 2017. Several supplemental appropriations were necessary during the year.

NOTE 4—DEPOSITS AND INVESTMENTS:

Deposits

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

Investments

Statutes authorize the County 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 acceptance, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

NOTE 4—DEPOSITS AND INVESTMENTS (CONTINUED):

Custodial Credit Risk (Investments)
The County of Shenandoah, Virginia sets forth the following authorized investments to mitigate custodial credit risk. Whereas, authorized investments for public funds are limited to those set forth in Chapter 18, Section 2.2-4501 of the Code of Virginia. Investment vehicles for the County of Shenandoah, Virginia shall be further restricted in consideration of the size of the portfolio and the absence of professional investment personnel.

Credit Risk of Debt Securities
The County of Shenandoah, Virginia may invest any and all funds belonging to it or in its control in the following:

1. U.S. Treasury Bills, Notes, Bonds and other direct obligations of the United States Government.

2. Repurchase agreements executed through Federal Reserve Member Banks or Primary Dealers in U.S. Government securities, and collateralized by Treasury or Agency obligations the market value of which is at least 102% of the purchase price of the repo.

3. Obligations of the Commonwealth of Virginia and of its local governments and public bodies, provided such obligations have a debt rating of at least “AA” or equivalent by Moody’s and/or Standard & Poor’s.

4. Certificates of deposit or other deposits of national banks located within the Commonwealth and state-chartered banks under Commonwealth supervision provided such deposits are insured or collateralized as provided by the Virginia Security for Public Deposits Act.

5. Local Government Investment Pool (LGIP) Fund is comprised of legal investments authorized for public funds and has an average maturity of 30 days.

County's Rated Debt Investments' Values

Rated Debt Investments	Fair Quality Ratings	
	AAAm	
Local Government Investment Pool	$	22,944,954
Total	$	22,944,954

External Investment Pool
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 pools rests with the Virginia State Treasury. LGIP is an amortized cost basis portfolio under the provisions of GASB Statement No. 79. There are no withdrawal limitations or restrictions imposed on participants.

NOTE 4—DEPOSITS AND INVESTMENTS (CONTINUED):

Interest Rate Risk

All County investments must be in securities maturing within five years. Maturities of the County's investments are as follows:

Investment Maturities (in years)

Investment Type	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	Greater Than 10 Years
Local Governement Investment Pool	$ 22,944,954	$ 22,944,954	$ -	$ -	$ -
Total	$ 22,944,954	$ 22,944,954	$ -	$ -	$ -

NOTE 5—INTERFUND OBLIGATIONS:

	Receivable Primary Government/ Component Unit	Payable Primary Government/ Component Unit	Due from Other Funds	Due to Other Funds
Primary Government:				
General Fund	$ 1,953,561	$ -	$ 48,431	$ -
Toms Brook-Maurertown Sanitary District	-	-	-	48,431
Sub-total	$ 1,953,561	$ -	$ 48,431	$ 48,431
Discretely Presented Component Units:				
School Operating Fund	$ -	$ 1,953,561	$ -	$ -
Sub-total	$ -	$ 1,953,561	$ -	$ -
Total reporting entity	$ 1,953,561	$ 1,953,561	$ 48,431	$ 48,431

Balances due to/from component units resulted from the time lag between the dates that interfund goods and services were provided.

NOTE 6—INTERFUND TRANSFERS:

Interfund transfers for the year ended June 30, 2017 consisted of the following:

Fund	Transfers In	Transfers Out
Primary Government:		
General Fund	$ -	$ 6,756,694
County Debt Service	5,408,275	-
North Fork Wastewater	169,899	-
Landfill	1,187,520	-
Total	$ 6,765,694	$ 6,756,694

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization.

NOTE 7—DUE FROM TOMS BROOK-MAURERTOWN SANITARY DISTRICT:

During fiscal year 1994, the General Fund built a septage handling facility at the Toms Brook-Maurertown Sanitary District location for $235,240. This amount is being repaid to the General Fund from tipping fees that are collected by Toms Brook and from septic application fees collected by the General Fund on behalf of the District. The balance as of June 30, 2017 was $48,431.

NOTE 8—DUE FROM OTHER GOVERNMENTAL UNITS:

	Primary Government	Component Unit School Board
Commonwealth of Virginia:		
State sales taxes	$ -	$ 1,230,886
Local sales taxes	637,065	-
Comprehensive services act funds	460,135	-
Public assistance and welfare	108,702	-
Fringe benefits	241,705	-
Other funds	330,978	-
Federal Government:		
Public assistance and welfare	161,928	-
Emergency management	73,509	-
Other funds	26,168	-
School funds	-	477,279
Cafeteria funds	-	7,366
Total	$ 2,040,190	$ 1,715,531

THIS SPACE LEFT BLANK INTENTIONALLY

NOTE 9—CAPITAL ASSETS:

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

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	$ 4,592,816	$ -	$ -	$ 4,592,816
Construction in progress	757,789	306,332	(38,574)	1,025,547
Total capital assets not being depreciated	$ 5,350,605	$ 306,332	$ (38,574)	$ 5,618,363
Capital assets being depreciated:				
Buildings and improvements	$ 49,897,072	$ -	$ (2,512,576)	$ 47,384,496
Machinery and equipment	8,681,364	484,236	-	9,165,600
Total capital assets being depreciated	$ 58,578,436	$ 484,236	$ (2,512,576)	$ 56,550,096
Accumulated depreciation:				
Buildings and improvements	$ (10,218,587)	$ (632,673)	$ 206,213	$ (10,645,047)
Machinery and equipment	(6,593,220)	(674,670)	44,257	(7,223,633)
Total accumulated depreciation	$ (16,811,807)	$ (1,307,343)	$ 250,470	$ (17,868,680)
Total capital assets being depreciated, net	$ 41,766,629	$ (823,107)	$ (2,262,106)	$ 38,681,416
Governmental activities capital assets, net	$ 47,117,234	$ (516,775)	$ (2,300,680)	$ 44,299,779
Business-type Activities:				
Capital assets not being depreciated:				
Land	$ 503,500	$ -	$ -	$ 503,500
Construction in progress	3,498,150	412,741	(3,605,534)	305,357
Total capital assets not being depreciated	$ 4,001,650	$ 412,741	$ (3,605,534)	$ 808,857
Capital assets being depreciated:				
Buildings and infrastructure	$ 3,863,645	$ 3,501,128	$ -	$ 7,364,773
Water distribution system	13,605,351	148,654	-	13,754,005
Machinery and equipment	11,240,122	348,761	(73,000)	11,515,883
Total capital assets being depreciated	$ 28,709,118	$ 3,998,543	$ (73,000)	$ 32,634,661
Accumulated depreciation:				
Buildings and improvements	$ (2,420,823)	$ (317,619)	$ -	$ (2,738,442)
Wells, lines and reservoirs	(8,957,507)	(249,903)	-	(9,207,410)
Machinery and equipment	(8,375,797)	(290,322)	73,000	(8,593,119)
Total accumulated depreciation	$ (19,754,127)	$ (857,844)	$ 73,000	$ (20,538,971)
Business-type activities, capital assets, net	$ 12,956,641	$ 3,553,440	$ (3,605,534)	$ 12,904,547

Capital assets of the governmental activities in the amount of $2,512,576 were transferred to the Component Unit School Board, $89,443 in equipment was transferred from the Component Unit School Board in equipment, additionally, a net transfer of $250,470 was transferred in accumulated depreciation from the governmental activities to the Component Unit School Board, due to debt repayments made by the Primary Government for the year ended June 30, 2017 as required by the Code of Virginia.

Construction in progress was increased by a $116,945 property donation for the governmental activities.

NOTE 9—CAPITAL ASSETS (CONTINUED):

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

Governmental Activities:		
General government administration	$	414,575
Judicial administration		209,455
Public safety		622,703
Public works		2,400
Health and welfare		36,164
Culture and recreation		22,046
Total depreciation expense-governmental activities	$	1,307,343
Business-type Activities:		
Stoney Creek Sanitary District	$	133,323
Toms Brook-Maurertown Sanitary District		177,913
North Fork Wastewater Fund		39,308
Landfill		507,300
Total depreciation expense business-type activities	$	857,844

Capital Leases:
The government has entered into lease agreements as lessee for financing school buses for the school board and a bulldozer for the landfill. These lease agreements qualify as capital leases for accounting purposes and therefore, have been recorded at the present values of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

		Governmental Activities		Business-type Activities
Asset:				
Equipment	$	1,203,677	$	641,545
Less: Accumulated depreciation		(530,457)		(115,414)
Total	$	673,220	$	526,131

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2017, are as follows:

Year Ended June 30,		Governmental Activities		Business-type Activities
2018	$	264,713	$	96,766
2019		161,505		129,153
2020		123,539		64,649
2021		85,962		64,649
2022		-		64,649
Thereafter		-		64,469
Total minimum lease payments	$	635,719	$	484,335
Less: Amount representing interest		(19,698)		(28,305)
Present value of minimum lease payments	$	616,021	$	456,030

NOTE 9—CAPITAL ASSETS (CONTINUED):

Discretely presented component units:

Activity for the School Board for the year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 5,725,275	$ -	$ -	$ 5,725,275
Total capital assets not being depreciated	$ 5,725,275	$ -	$ -	$ 5,725,275
Capital assets being depreciated:				
Buildings and improvements	$ 68,539,632	$ 3,320,046	$ -	$ 71,859,678
Machinery and equipment	9,485,859	864,487	(131,860)	10,218,486
Total capital assets being depreciated	$ 78,025,491	$ 4,184,533	$ (131,860)	$ 82,078,164
Accumulated depreciation:				
Buildings and improvements	$ (29,803,481)	$ (2,072,309)	$ -	$ (31,875,790)
Machinery and equipment	(7,905,929)	(652,661)	42,417	(8,516,173)
Total accumulated depreciation	$ (37,709,410)	$ (2,724,970)	$ 42,417	$ (40,391,963)
Total capital assets being depreciated, net	$ 40,316,081	$ 1,459,563	$ (89,443)	$ 41,686,201
School Board capital assets, net	$ 46,041,356	$ 1,459,563	$ (89,443)	$ 47,411,476

Depreciation expense for the Component Unit School Board was $2,474,500 and a net transfer of $250,470 was transferred in accumulated depreciation from the primary government due to debt repayments for the year ended June 30, 2017.

Activity for the Shenandoah County Library for the year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets being depreciated:				
Buildings and system	$ 285,197	$ -	$ -	$ 285,197
Machinery and equipment	157,368	-	-	157,368
Total capital assets being depreciated	$ 442,565	$ -	$ -	$ 442,565
Accumulated depreciation:				
Buildings and system	$ (98,047)	$ (7,130)	$ -	$ (105,177)
Machinery and equipment	(144,888)	(3,152)	-	(148,040)
Total accumulated depreciation	$ (242,935)	$ (10,282)	$ -	$ (253,217)
Total Library capital assets being depreciated, n	$ 199,630	$ (10,282)	$ -	$ 189,348

NOTE 10—UNEARNED REVENUE:

Unearned revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Unearned revenue totaling $345,931 is comprised of the following:

A. Unearned Revenue – Former Employee – In conjunction with the plea agreement of the former County landfill director on criminal charges of mail fraud, money laundering and forfeiture of assets, he agreed to provide restitution to the County in the amount of $400,000 of which $226,656 was outstanding at June 30, 2017. Payments commenced February 1, 1996, with final payment due February 1, 2001. This agreement is secured by the personal residence of the former director and other assets. Other restitution received by the County from the sale of assets seized by the authorities in September 1994 will not be applied against this restitution amount. The February 1, 1998 and 1997 payments were not made by the former employee. Therefore, the plea agreement was violated. As a result of violating the agreement, the former employee's personal residence was seized and sold on September 23, 1997, for $192,500. After payment of liens and selling expense, the County received $106,598 in July 1998.

B. Asset Forfeiture Proceeds – Assets seized as a result of law enforcement raids awaiting approval from the federal government totaled $119,275 at June 30, 2017.

NOTE 11—DEFERRED/UNAVAILABLE REVENUE PROPERTY TAXES:

Unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Deferred and unavailable revenue in the government-wide and fund financial statements totaling $21,237,486 and $24,518,597 respectively, is comprised of the following:

A. Prepaid Property Taxes – Property taxes due subsequent to June 30, 2017, but paid in advance by the taxpayers totaled $2,505,842 in the general fund at June 30, 2017.

B. Unbilled Property Taxes – Property taxes for the second half of 2016 that had not been billed as of June 30, 2017 amounted to $18,731,644.

C. Unavailable Property Taxes – Uncollected tax billings not available for funding of current expenditures totaled $3,281,111 at June 30, 2017.

THIS SPACE LEFT BLANK INTENTIONALLY

NOTE 12—LONG-TERM OBLIGATIONS:

Changes in long-term obligations

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

	Balance July 1, 2016, as restated	Issuances/ Increases	Retirements/ Decreases	Balance June 30, 2017
Governmental Activities:				
General Obligation Bonds	$ 34,481,868	$ -	$ 3,245,277	$ 31,236,591
Bond Premium	1,467,922	-	139,432	1,328,490
Literary Loan Funds	1,572,500	-	314,500	1,258,000
Lease Revenue Bonds	7,000,000	-	280,000	6,720,000
Capital Leases	937,079	-	321,058	616,021
Compensated Absences	926,193	521,234	555,717	891,710
Net pension liability	4,037,264	4,550,492	3,057,645	5,530,111
Net OPEB Obligation	598,796	142,236	52,680	688,352
Total Governmental Activities	$ 51,021,622	$ 5,213,962	$ 7,966,309	$ 48,269,275
Business-type Activities:				
General Obligation/Revenue Bonds	$ 1,570,934	$ -	$ 229,720	$ 1,341,214
Capital Leases	187,007	330,260	61,237	456,030
Compensated Absences	121,492	100,020	72,895	148,617
Net Pension Liability	563,605	603,271	430,573	736,303
Net OPEB Obligation	83,204	19,764	7,320	95,648
Landfill Closure and Post-Closure Care	9,964,654	208,712	-	10,173,366
Total Business-type Activities	$ 12,490,896	$ 1,262,027	$ 801,745	$ 12,951,178
Total Long-Term Obligations	$ 63,512,518	$ 6,475,989	$ 8,768,054	$ 61,220,453

For governmental activities, the liability for compensated absences, net pension liability and the net OPEB obligation are fully liquidated by the general fund.

THIS SPACE LEFT BLANK INTENTIONALLY

NOTE 12—LONG-TERM OBLIGATIONS (CONTINUED):

Primary government – Annual requirements to amortize long-term obligation and related interest are as follows:

Year Ending June 30,	Governmental Activities			
	Capital Leases		Lease Revenue Bonds	
	Principal	Interest	Principal	Interest
2018	$ 254,084	$ 10,629	$ 285,000	$ 265,047
2019	155,945	5,560	300,000	252,281
2020	120,775	2,764	315,000	239,097
2021	85,217	941	330,000	224,369
2022	-	-	345,000	208,172
2023	-	-	365,000	190,328
2024	-	-	385,000	171,935
2025	-	-	405,000	153,415
2026	-	-	415,000	135,478
2027	-	-	365,000	118,041
2028	-	-	220,000	104,716
2029	-	-	175,000	10,095
2030	-	-	160,000	89,725
2031	-	-	165,000	83,497
2032	-	-	170,000	77,663
2033	-	-	180,000	70,969
2034	-	-	185,000	64,641
2035	-	-	190,000	58,781
2036	-	-	195,000	52,728
2037	-	-	205,000	46,403
2038	-	-	210,000	39,844
2039	-	-	215,000	33,125
2040	-	-	225,000	26,169
2041	-	-	230,000	18,975
2042	-	-	240,000	11,544
2043	-	-	245,000	3,875
Total	$ 616,021	$ 19,894	$ 6,720,000	$ 2,750,913

NOTE 12—LONG-TERM OBLIGATIONS (CONTINUED):

Primary government – Annual requirements to amortize long-term obligation and related interest are as follows: (continued)

Year Ending June 30,	Governmental Activities			
	General Obligation Bonds		State Literary Loans	
	Principal	Interest	Principal	Interest
2018	$ 3,379,655	$ 1,619,034	$ 314,500	$ 37,740
2019	3,509,398	1,479,771	314,500	28,306
2020	3,649,519	1,332,368	314,500	18,870
2021	3,788,880	1,173,813	314,500	9,434
2022	3,932,564	1,007,332	-	-
2023	4,072,128	833,193	-	-
2024	2,162,469	703,893	-	-
2025	2,218,180	622,133	-	-
2026	2,032,314	538,513	-	-
2027	2,094,789	452,190	-	-
2028	262,490	9,947	-	-
2029	134,205	2,015	-	-
Total	$ 31,236,591	$ 9,774,202	$ 1,258,000	$ 94,350

THIS SPACE LEFT BLANK INTENTIONALLY

NOTE 12—LONG-TERM OBLIGATIONS (CONTINUED):

Primary government – Annual requirements to amortize long-term obligations and related interest are as follows: (continued)

Year Ending June 30,	Business-type Activities: Toms Brook-Maurertown Sanitary District Bonds Principal	Toms Brook-Maurertown Sanitary District Bonds Interest	North Fork Wastewater VRA Loan Principal	North Fork Wastewater VRA Loan Interest
2018	$ 22,687	$ 14,753	$ 57,665	$ 30,894
2019	23,729	13,711	59,367	29,192
2020	24,819	12,621	61,120	27,440
2021	25,960	11,480	62,924	25,636
2022	27,152	10,288	64,781	23,779
2023	28,400	9,040	66,693	21,867
2024	29,704	7,736	68,661	19,898
2025	31,069	6,371	70,688	17,872
2026	32,496	4,944	72,774	15,785
2027	33,989	3,451	74,922	13,637
2028	35,550	1,890	77,133	11,426
2029	22,621	337	79,410	9,150
2030	-	-	81,753	6,806
2031	-	-	84,166	4,393
2032	-	-	20,981	1,909
	$ 338,176	$ 96,622	$ 1,003,038	$ 259,684

Year Ending June 30,	Business-type Activities: Landfill Capital Lease Principal	Landfill Capital Lease Interest
2018	$ 89,191	$ 7,395
2019	121,452	7,881
2020	59,205	5,444
2021	60,610	4,038
2022	62,049	2,600
2023	63,523	1,127
	$ 456,030	$ 28,485

NOTE 12—LONG-TERM OBLIGATIONS (CONTINUED):

PRIMARY GOVERNMENT

Details of long-term obligations:

Governmental Activities:

	Total Amount Due	Amount Due Within One Year
Capital leases:		
$393,907 issued June 20, 2013, due in quarterly installments of $20,429 beginning August 15, 2013, through May 15, 2018, for the purchase of five school buses	$ 80,947	$ 80,947
$396,970 issued June 17, 2014, due in semi-annual installments of $37,772 beginning July 24, 2014, through July 24, 2019, for the purchase of five school buses	183,865	72,559
$410,500 issued June 28, 2016, due in quarterly installments of $21,491 beginning September 28, 2016, through June 28, 2021, for the purchase of five school buses	351,209	100,578
Total capital leases	$ 616,021	$ 254,084
Lease Revenue Bonds:		
$3,255,000 2011B refunding bonds were issued on November 26, 2011, due in varying annual installments beginning June 1, 2012, through June 1, 2029, bearing interest at 2.97%	$ 2,410,000	$ 190,000
$4,495,000 2012C lease revenue bonds were issued on December 6, 2012, due in varying annual installments beginning October 1, 2015 through October 1, 2042, bearing interest at varying rates ranging from 3.125%-4.845%	4,310,000	95,000
Total lease revenue bonds	$ 6,720,000	$ 285,000

NOTE 12—LONG-TERM OBLIGATIONS (CONTINUED):

PRIMARY GOVERNMENT (continued)

Details of long-term obligations: (continued)

Governmental Activities: (continued)

	Total Amount Due	Amount Due Within One Year
General Obligation Bonds:		
$4,000,000 VRA bond for Town of Mt. Jackson WWTP expansion project, issued in 2008, semi-annual payments of $136,219 maturing January 1, 2029, with interest payable at 3%.	$ 2,633,220	$ 194,891
$15,760,000 VRA bond issued November 19, 2009, due in semi-annual installments totaling $1,539,334 maturing October 1, 2026, with interest payable at 5.125%	11,545,000	965,000
$25,140,000 Virginia Public School Authority Bonds 2002, issued May 16, 2002, at a premium of $836,018, annual payments of $2,019,563 through July 15, 2022, with interest payable semi-annually at rates of 3.6% to 5.6%.	10,430,000	1,525,000
$4,130,808 Virginia Public School Authority Bonds 2004B, issued November 10, 2004, at a premium of $303,424, maturing annually through January 15, 2025, with interest payable semi-annually at rates of 4.6% to 5.6%.	1,813,371	214,764
$7,435,000 Virginia Public School Authority Bonds 2010, issued July 8, 2010, annual payments of $480,000 through June 1, 2027, with interest payable semi-annually at rates of 2.7%. Interest is reimbursed by a federal interest subsidy.	4,815,000	480,000
Total general obligation bonds	$ 31,236,591	$ 3,379,655

THIS SPACE LEFT BLANK INTENTIONALLY

NOTE 12—LONG-TERM OBLIGATIONS (CONTINUED):

PRIMARY GOVERNMENT (continued)

Details of long-term obligations: (continued)

Governmental Activities: (continued)

	Total Amount Due	Amount Due Within One Year
Literary Fund Loans:		
$1,290,000 issued April 1, 2001 for the renovation of Ashby Lee Elementary School, due in annual installments of $64,500 from April 1, 2002 through April 1, 2021, plus interest at 3%.	$ 258,000	$ 64,500
$1,931,000 issued April 1, 2001 for the renovation of Sandy Hook Elementary School, due in annual installments of $96,550 from April 1, 2002 through April 1, 2021, plus interest at 3%.	386,200	96,550
$3,069,000 issued April 1, 2001 for the renovation of W. W. Robinson Elementary School, due in annual installments of $153,450 from April 1, 2002 through April 1, 2021, plus interest at 3%.	613,800	153,450
Total Literary Fund Loans	$ 1,258,000	$ 314,500
Unamortized Bond Premium	$ 1,328,490	$ 139,432
Compensated absences	$ 891,710	$ 202,621
Net pension liability	$ 5,530,111	$ -
Net OPEB obligation	$ 688,352	$ -
Total Governmental Activities Long-term Obligation	$ 48,269,275	$ 4,575,292

Business-type Activities:

Stoney Creek Sanitary District:		
Revenue bond:		
Compensated absences	$ 53,799	$ 13,450
Net pension liability	$ 306,427	$ -
Net OPEB obligation	$ 42,493	$ -
Total Stoney Creek Sanitary District	$ 402,719	$ 13,450

NOTE 12—LONG-TERM OBLIGATIONS (CONTINUED):

PRIMARY GOVERNMENT (continued)

Details of long-term obligations: (continued)

Business-type Activities: (continued)

	Total Amount Due	Amount Due Within One Year
Toms Brook-Maurertown Sanitary District:		
General Obligation Revenue Bonds:		
$634,000 General Obligation Bond Series of 1995, with interest only payable annually in February 1996 and 1997, and thereafter payable in monthly installments of $3,120, including principal and interest at 4.5% per annum beginning in March 1997, and ending in February 2029.	$ 338,176	$ 22,687
Compensated absences	$ 14,926	$ 3,732
Net pension liability	$ 102,143	$ -
Net OPEB obligation	$ 7,997	$ -
Total Toms Brook-Maurertown Sanitary District	$ 463,242	$ 26,419
North Fork Wastewater:		
Lease Revenue Bond:		
$1,304,415 VRA Bond 2011, payable semi-annually beginning on December 1, 2012 of $7,106, including principal and interest at 2.93%, and ending in June 2032.	$ 1,003,038	$ 57,665
Landfill:		
Capital lease:		
$311,285 issued December 23, 2014, due in quarterly installments of $64,376 beginning January 1, 2015, through January 1, 2019, for the purchase of a bulldozer	$ 125,770	$ 62,330
$330,260 issued April 27, 2017, due in semi-annual installments of $32,249 beginning January 1, 2018, through January 1, 2023, for the purchase of two utility truck and roll off equipment	330,260	27,041
Total capital leases	$ 456,030	$ 89,371
Landfill closure and post-closure care	$ 10,173,366	$ -
Compensated absences	$ 79,892	$ 19,973
Net pension liability	$ 327,733	$ -
Net OPEB obligation	$ 45,158	$ -
Total landfill	$ 11,082,179	$ 109,344
Total Business-type Activities	$ 12,951,178	$ 206,878

NOTE 12—LONG-TERM OBLIGATIONS (CONTINUED):

DISCRETLY PRESENTED COMPONENT UNIT-SCHOOL BOARD:

Changes in long-term obligations:

The following is a summary of long-term liability transactions of the Component Unit – School Board for the year ended June 30, 2017:

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017	Amount Due Within One Year
Compensated absences	$ 868,739	$ 556,308	$ 521,243	$ 903,804	$ 225,951
Net pension liability	56,177,917	16,447,568	8,904,666	63,720,819	-
Net OPEB obligation	2,804,000	693,000	283,000	3,214,000	-
Total	$ 59,850,656	$ 17,696,876	$ 9,708,909	$ 67,838,623	$ 225,951

NOTE 13—OTHER LIABILITIES – ENTERPRISE FUNDS:

The other liabilities of the Sanitary Districts at June 30, 2017, consist of the following:

	Stoney Creek	Toms-Brook Maurertown	Total
Security deposits	$ 8,850	$ 16,750	$ 25,600
Total	$ 8,850	$ 16,750	$ 25,600

NOTE 14—DEFERRED COMPENSATION PLAN:

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all County employees, permits them to defer a portion of their salary until future years. The County does not match the employee's contributions. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Under the provisions of the Small business Job Protection Act of 1996, all amounts currently or thereafter held under the Plan, including amounts deferred and earnings or other accumulations attributable thereto, shall be held for the exclusive benefit of Plan participants and beneficiaries in annuity contracts, or in trust or in one or more custodial accounts pursuant to one or more separate written instruments.

Investments are managed by the plan's trustee under one of twenty-seven investment options, or a combination thereof. The choice of the investment option is made solely by the participants.

NOTE 15—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 different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

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

NOTE 15—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.)** • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013. **Hybrid Opt-In Election** VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	**Eligible Members** Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013. **Hybrid Opt-In Election** Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	**Eligible Members** Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • Political subdivision employees* • School division employees • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. ***Non-Eligible Members** Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

NOTE 15—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

NOTE 15—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

NOTE 15—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

NOTE 15—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

NOTE 15—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

NOTE 15—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

NOTE 15—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

NOTE 15—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

NOTE 15—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	**Disability Coverage** Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	**Disability Coverage** Employees of political subdivisions and School divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** **Defined Benefit Component:** Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. **Defined Contribution Component:** Not applicable.

NOTE 15—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2016-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, 2015 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Primary Government	Component Unit School Board Nonprofessional
Inactive members or their beneficiaries currently receiving benefits	129	126
Inactive members:		
Vested inactive members	44	20
Non-vested inactive members	62	43
Inactive members active elsewhere in VRS	196	17
Total inactive members	302	80
Active members	279	219
Total covered employees	710	425

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, 2017 was 9.71% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were $1,191,675 and $1,433,014 for the years ended June 30, 2017 and June 30, 2016, respectively.

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2017 was 6.71% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

NOTE 15—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 Component Unit School Board's nonprofessional employees were $240,836 and $329,365 for the years ended June 30, 2017 and June 30, 2015, respectively.

Net Pension Liability

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

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the County's and Component Unit School Board's (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

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

* 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.

NOTE 15—PENSION PLAN: (CONTINUED)

Actuarial Assumptions – General Employees (Continued)

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

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-LEOS:

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

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

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

Actuarial Assumptions – Public Safety Employees

The total pension liability for Public Safety employees in the County's Retirement Plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

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

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

NOTE 15—PENSION PLAN: (CONTINUED)

Actuarial Assumptions – Public Safety Employees (Continued)

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

Largest 10 – Non-LEOS:
Pre-Retirement:
RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

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

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

All Others (Non 10 Largest) – Non-LEOS:
Pre-Retirement:
RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

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

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

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – LEOS:
- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – LEOS:
- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

NOTE 15—PENSION PLAN: (CONTINUED)

Long-Term Expected Rate of Return

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

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

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

NOTE 15—PENSION PLAN: (CONTINUED)

Discount Rate

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

Changes in Net Pension Liability

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2015	$ 44,161,821	$ 39,560,950	$ 4,600,871
Changes for the year:			
Service cost	$ 1,551,145	$ -	$ 1,551,145
Interest	3,018,636	-	3,018,636
Changes in benefits	535,857	-	535,857
Differences between expected and actual experience	(729,854)	-	(729,854)
Contributions - employer	-	1,419,174	(1,419,174)
Contributions - employee	-	617,782	(617,782)
Net investment income	-	697,945	(697,945)
Benefit payments, including refunds of employee contributions	(2,076,885)	(2,076,885)	-
Administrative expenses	-	(24,366)	24,366
Other changes	-	(294)	294
Net changes	$ 2,298,899	$ 633,356	$ 1,665,543
Balances at June 30, 2016	$ 46,460,720	$ 40,194,306	$ 6,266,414

NOTE 15—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, 2015	$ 13,131,773	$ 12,143,856	$ 987,917
Changes for the year:			
Service cost	$ 427,181	$ -	$ 427,181
Interest	896,199	-	896,199
Differences between expected and actual experience	33,565	-	33,565
Contributions - employer	-	328,594	(328,594)
Contributions - employee	-	194,128	(194,128)
Net investment income	-	211,944	(211,944)
Benefit payments, including refunds of employee contributions	(657,857)	(657,857)	-
Administrative expenses	-	(7,534)	7,534
Other changes	-	(89)	89
Net changes	$ 699,088	$ 69,186	$ 629,902
Balances at June 30, 2016	$ 13,830,861	$ 12,213,042	$ 1,617,819

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
County Net Pension Liability (Asset)	$ 12,987,995	$ 6,266,414	$ 753,981
Component Unit School Board (nonprofessional) Net Pension Liability (Asset)	$ 3,124,163	$ 1,617,819	$ 340,374

NOTE 15—PENSION PLAN: (CONTINUED)

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

For the year ended June 30, 2017, the County and Component Unit School Board (nonprofessional) recognized pension expense of $1,448,743 and $305,982, respectively. At June 30, 2017, the County and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Unit School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 941,687	$ 23,010	$ 3,988
Change in assumptions	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	$ 1,060,714	$ -	$ 322,036	$ -
Employer contributions subsequent to the measurement date	1,191,675	-	240,836	-
Total	$ 2,252,389	$ 941,687	$ 585,882	$ 3,988

$1,191,675 and $240,836 reported as deferred outflows of resources related to pensions resulting from the County's and Component Unit School Board's (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30,	Primary Government	Component Unit School Board (nonprofessional)
2018	(296,767)	14,180
2019	(296,766)	15,850
2020	309,239	184,403
2021	403,321	126,625
2022	-	-
Thereafter	-	-

NOTE 15—PENSION PLAN: (CONTINUED)

Component Unit School Board (professional)

Plan Description

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

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the 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**.**

Each School Division's contractually required contribution rate for the year ended June 30, 2017 was 14.66% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of $192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 16.32%. 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 89.84% of the actuarial rate for the year ended June 30, 2017. Contributions to the pension plan from the School Board were $4,933,757, and $4,715,959 for the years ended June 30, 2017, and June 30, 2016, respectively.

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

At June 30, 2017, the school division reported a liability of $62,103,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2016 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2016 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2016, the school division's proportion was .44314% as compared to .43849% at June 30, 2015.

NOTE 15—PENSION PLAN: (CONTINUED)

Component Unit School Board (professional) (Continued)

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

For the year ended June 30, 2017, the school division recognized pension expense of $5,458,000. Since there was a change in proportionate share between June 30, 2015 and June 30, 2016, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2017, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 2,012,000
Net difference between projected and actual earnings on pension plan investments	3,547,000	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,265,000	482,000
Employer contributions subsequent to the measurement date	4,933,757	-
Total	$ 9,745,757	$ 2,494,000

$4,933,757 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2017	(298,000)
2018	(298,000)
2019	1,780,000
2020	1,219,000
2021	(85,000)
Thereafter	-

NOTE 15—PENSION PLAN: (CONTINUED)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

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

* 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:

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, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

NOTE 15—PENSION PLAN: (CONTINUED)

Component Unit School Board (professional) (Continued)

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2016, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	Teacher Employee Retirement Plan
Total Pension Liability	$ 44,182,326
Plan Fiduciary Net Position	30,168,211
Employers' Net Pension Liability (Asset)	$ 14,014,115
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	68.28%

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

Long-Term Expected Rate of Return

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

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

NOTE 15—PENSION PLAN: (CONTINUED)

Component Unit School Board (professional) (Continued)

Long-Term Expected Rate of Return (Continued):

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

Discount Rate

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

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

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset)	$ 88,526,805	$ 62,103,000	$ 40,334,607

Pension Plan Fiduciary Net Position

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

NOTE 16—OTHER POSTEMPLOYMENT BENEFITS:

Beginning in fiscal year 2009, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 45 for other postemployment benefits (OPEB) offered to retirees. This standard addresses how local governments should account for and report their costs related to postemployment health care and other non-pension benefits, such as the County's retiree health benefit subsidy. Historically, the County's subsidy was funded on a pay-as-you-go basis, but GASB Statement No. 45 requires that the County accrue the cost of the retiree health subsidy and other postemployment benefits during the period of the employees' active employment, while the benefits are being earned, and disclose the unfunded actuarial accrued liability in order to accurately account for the total future cost of post-employment benefits and the financial impact on the County. This funding methodology mirrors the funding approach used for pension benefits.

Primary Government:

Health Insurance Program

A. Plan Description

The County's retiree health insurance program is a single employer defined benefit healthcare plan. A retired employee of the County, who is participating in the employer's medical and dental program, is eligible to elect post-retirement coverage if the employee is at least 50 and has at least 30 years of service. Disabled employees who are unable to perform the essential functions of their position with or without accommodations are also eligible. Retired employees may resume coverage for life insurance, medical insurance, disability insurance and dental insurance. The employee is responsible for 100% of the cost.

B. Funding Policy

The Shenandoah 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 partially fund the plan or fully fund the plan. Retirees pay 100% of spousal premiums. Coverage ceases when the retiree reaches the age of 65 unless the retiree has selected a specific medical plan.

C. Annual OPEB Cost and Net OPEB Obligation

The annual cost of other postemployment benefits under GASB 45 is based on the annual required contribution or ARC. The estimated pay as you go cost for OPEB benefits is $162,000 for fiscal year 2017. The County has elected not to pre-fund OPEB liabilities. The County is required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (of funding excess) over a period not to exceed thirty years on an open basis.

NOTE 16—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Primary Government: (Continued)

Health Insurance Program (continued)

C. Annual OPEB Cost and Net OPEB Obligation (continued)

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

Annual Required Contribution (ARC)	$ 162,000
Interest on OPEB Obligation	29,000
Adjustment to ARC	(29,000)
Annual OPEB cost	$ 162,000
Contributions Made	(60,000)
Increase in Net OPEB Obligation	$ 102,000
Net OPEB Obligation - beginning of year	682,000
Net OPEB Obligation - end of year	$ 784,000

The County's net OPEB obligation was reported as $688,352 and $95,648 in the governmental and business-type activities, respectively. The general fund is responsible for the payment of the governmental activities net OPEB obligation. Likewise, the Stoney Creek and Toms Brook-Maurertown Sanitary Districts and the landfill fund are responsible for the business-type activities net OPEB cost.

The County made an OPEB contribution of $60,000 during fiscal year 2017 which did not equal the required annual OPEB cost of $162,000. The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the two preceding years are as follows:

Primary Government:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2017	$ 162,000	37.0%	$ 784,000
June 30, 2016	139,000	48.9%	682,000
June 30, 2015	133,000	54.1%	611,000

NOTE 16—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Primary Government: (Continued)

Health Insurance Program (continued)

D. Funded Status and Funding Progress

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

		Primary Government
Actuarial accrued liability (AAL)	$	1,564,000
Actuarial value of plan assets	$	-
Unfunded actuarial accrued liability	$	1,564,000
Funded ratio (actuarial value of plan assets/AAL)		0%
Covered payroll (active plan members)	$	11,212,000
UAAL as a percentage of covered payroll		13.95%

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

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents 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 (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

NOTE 16—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Primary Government (Continued)

Health Insurance Program (continued)

E. Actuarial Methods and Assumptions (Continued)

Cost Method

The Entry Age Normal cost method is used to determine the Plan's funding liabilities and costs. Under this method, the actuarial present value of projected benefits of every active Participant as if the Plan's provisions on the valuation date had always been in effect, is determined as a level percentage of expected annual earnings for each future year of expected service. A normal cost for each year from the assumed entry date is determined by applying this level percentage of pay to the assumed earnings for that year (or if benefits are not pay related, the level amount for each year). Under this method, inactive Participants have no normal cost, and the actuarial liability is the present value of the plan benefits to which they and their beneficiaries are entitled. The Plan's total annual normal cost and actuarial liability are the sum of the individual Participant amounts. An experience gain or loss is a decrease or increase in the unfunded actuarial liability attributable to actual experience that differed from that expected by the actuarial assumptions. Such gains or losses are explicitly recognized under this method. Data is net of any retiree contributions.

Actuarial Assumptions:

Amortization method	Level percentage of payroll, open
Funding interest rate	4.25%
Annual amortization increase rate	2.50%
Medical trend rate	6.5% graded down to 5.0%
Amortization period	30 years
Asset valuation method	5-year smooth market
Inflation rate	2.50%

VRS Health Insurance Credit Program

A. Plan Description

The County participates in the Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is 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. The credit amount and eligibility differs for state, school division, political subdivision, local officer, local social services department and general registrar retirees.

An employee, 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 $4.00 per year of creditable service. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive a maximum monthly credit, which is the greater of $4.00 multiplied by the smaller of (i) twice the amount of their creditable service for (ii) the amount of creditable service they would have completed at age sixty if they had remained in service to that age.

NOTE 16—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Primary Government: (Continued)

VRS Health Insurance Credit Program (continued)

A. Plan Description (continued)

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.

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 15.

B. Funding Policy

The County is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 0.07% of annual covered payroll.

C. Annual OPEB Cost and Net OPEB Obligation

The annual cost of other postemployment benefits under GASB 45 is based on the annual required contribution or ARC. The County has elected not to pre-fund OPEB liabilities. The County is required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (of funding excess) over a period not to exceed thirty years on an open basis.

THIS SPACE LEFT BLANK INTENTIONALLY

NOTE 16—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Primary Government: (Continued)

VRS Health Insurance Credit Program (continued)

C. Annual OPEB Cost and Net OPEB Obligation (continued)

For 2017, the County's contribution of $8,840 was equal to the ARC and OPEB cost. The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the two preceding years are as follows:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2017	$ 8,840	100%	$ -
June 30, 2016	8,892	100%	-
June 30, 2015	8,567	100%	-

D. Funded Status and Funding Progress

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

Actuarial accrued liability (AAL)	$	221,976
Actuarial value of plan assets	$	197,015
Unfunded actuarial accrued liability	$	24,961
Funded ratio (actuarial value of plan assets/AAL)		88.76%
Covered payroll (active plan members)	$	7,012,468
UAAL as a percentage of covered payroll		0.36%

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

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents 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.

NOTE 16—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Primary Government: (Continued)

VRS Health Insurance Credit Program (continued)

E. Actuarial Methods and Assumptions

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

The Retiree Health Insurance Credit is based on a member's employer eligibility and his or her years of service. The monthly maximum credit 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 the benefit is a flat dollar amount multiplied by the member's years of service and the maximum benefit is assumed, no assumption relating to health care cost trend rates is needed or applied.

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 amortization period at July 1, 2016 was 18-27 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.

Component Unit School Board:

A. Plan Description

The Component Unit School Board's retiree health Insurance Plan is a single employer defined benefit plan. A retired employee of the Component Unit School Board, who is participating in the employer's medical and dental program, is eligible to elect post-retirement coverage if the employee is at least 50 and has at least 5 years of service. Disabled employees who are unable to perform the essential functions of their position with or without accommodations are also eligible. Retired employees may resume coverage for life insurance, medical insurance, disability insurance and dental insurance. The employee is responsible for 100% of the cost.

NOTE 16—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Component Unit School Board: (Continued)

B. Funding Policy

The Component Unit School Board establishes employer medical contribution rates for all medical plan participants as part of the budgetary process each year. The Component Unit School Board also determines how the plan will be funded each year, whether it will partially fund the plan or fully fund the plan. Retirees pay 100% of spousal premiums. Coverage ceases when the retiree reaches the age of 65 unless the retiree has selected a specific medical plan.

C. Annual OPEB Cost and Net OPEB Obligation:

The annual cost of other postemployment benefits (OPEB) under GASB 45 is based on the annual required contribution or ARC, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The estimated pay as you go cost for OPEB benefits is $693,000 for fiscal year 2017. The Component Unit School Board has elected not to pre-fund OPEB liabilities. 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 (of funding excess) over a period not to exceed thirty years on an open basis.

The following table shows the components of the Board's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Board's net OPEB obligation:

Annual Required Contribution (ARC)	$ 695,000
Interest on OPEB Obligation	119,000
Adjustment to ARC	(121,000)
Annual OPEB cost	$ 693,000
Contributions Made	(283,000)
Increase in Net OPEB Obligation	$ 410,000
Net OPEB Obligation - beginning of year	2,804,000
Net OPEB Obligation - end of year	$ 3,214,000

The Component Unit School Board made an OPEB contribution of $283,000 during fiscal year 2017 which did not equal the required annual OPEB cost of $693,000. The Component Unit School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the two preceding years are as follows:

Component Unit School Board:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2017	$ 693,000	40.8%	$ 3,214,000
June 30, 2016	757,000	47.7%	2,804,000
June 30, 2015	727,000	37.1%	2,408,000

NOTE 16—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Component Unit School Board: (Continued)

D. Funded Status and Funding Progress

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

		Component Unit School Board
Actuarial accrued liability (AAL)	$	6,288,000
Actuarial value of plan assets	$	-
Unfunded actuarial accrued liability	$	6,288,000
Funded ratio (actuarial value of plan assets/AAL)		0%
Covered payroll (active plan members)	$	33,263,000
UAAL as a percentage of covered payroll		18.90%

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

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents 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 (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

NOTE 16—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Component Unit School Board: (Continued)

E. Actuarial Methods and Assumptions (Continued)

Cost Method

The Entry Age Normal cost method is used to determine the Plan's funding liabilities and costs. Under this method, the actuarial present value of projected benefits of every active Participant as if the Plan's provisions on the valuation date had always been in effect, is determined as a level percentage of expected annual earnings for each future year of expected service. A normal cost for each year from the assumed entry date is determined by applying this level percentage of pay to the assumed earnings for that year (or if benefits are not pay related, the level amount for each year). Under this method, inactive Participants have no normal cost, and the actuarial liability is the present value of the plan benefits to which they and their beneficiaries are entitled. The Plan's total annual normal cost and actuarial liability are the sum of the individual Participant amounts. An experience gain or loss is a decrease or increase in the unfunded actuarial liability attributable to actual experience that differed from that expected by the actuarial assumptions. Such gains or losses are explicitly recognized under this method. Data is net of any retiree contributions.

Actuarial Assumptions:

	Component Unit School Board Unfunded
Amortization method	Level percentage of payroll, open
Funding interest rate	4.25%
Annual amortization increase rate	2.50%
Medical trend rate	7% graded down to 5.0%
Amortization period	30 years
Asset valuation method	5-year smooth market
Inflation rate	2.50%

VRS Health Insurance Credit Program

A. 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. The credit amount and eligibility differs for state, school division, political subdivision, local officer, local social services department and general registrar retirees.

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 $4.00 per year of creditable service. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive a maximum monthly credit, which is the greater of $4.00 multiplied by the smaller of (i) twice the amount of their creditable service for (ii) the amount of creditable service they would have completed at age sixty if they had remained in service to that age.

NOTE 16—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Component Unit School Board: (Continued)

VRS Health Insurance Credit Program (Continued)

A. Plan Description (continued)

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.

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 15.

B. 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 1.11% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2017, 2016, and 2015 were $366,404, $358,905, and $345,012, respectively and equaled the required contributions for each year.

NOTE 17—CONTINGENT LIABILITIES:

Federal programs in which the county and its component units participate were audited in accordance with the provisions of the Uniform Guidance. 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, if any, would be immaterial.

While $380,600 of the General Obligation Bond Series of 1995 and 1997 have been recorded in the Toms Brook-Maurertown Sanitary District, from which repayment is anticipated, the General Fund has a contingent liability for the repayment of this amount should the Sanitary District be unable to do so.

THIS SPACE LEFT BLANK INTENTIONALLY

NOTE 18—RISK MANAGEMENT:

The County is a member the Virginia Municipal Group Self Insurance Association for worker's compensation insurances. This program is administered by a servicing contractor, which furnishes claims review and processing.

Each Association member jointly and severally agrees to assume, pay and discharge any liability. The county pays Virginia Municipal Group contributions and assessments based upon classifications and rates. These amounts are deposited into a designated cash reserve fund of the association out of which expenses, claims and awards are to be paid. In the event of a catastrophic loss which creates an equity deficit and for which all available excess insurance is depleted, the Association may assess all members in proportion to which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The County continues to carry commercial insurance for all other risks of losses. There were no settlements in excess of the insurance coverage in any of the three prior fiscal years.

NOTE 19—LANDFILL CLOSURE AND POST-CLOSURE CARE COST:

State and federal laws and regulations require that the County of Shenandoah place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and post-closure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and post-closure care costs is based on the amount of the landfill used during the year. During fiscal year 2003, the County opened new landfill cells and significantly completed closure of its old landfill. The estimated liability for landfill closure and post-closure care costs has a balance of $10,173,366 as of June 30, 2017, which is based on the estimated number of years remaining, which is zero for the old landfill, and landfill cells 1 and 2. However landfill cell #3 has capacity used to date estimated to be 7%. The estimated total current cost of the landfill closure and post-closure care of $11,754,763 is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain both of the landfills were incurred as of June 30, 2017. However, the actual cost of closure and post-closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

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

THIS SPACE LEFT BLANK INTENTIONALLY

NOTE 20—SEGMENT INFORMATION FOR BUSINESS-TYPE ACTIVITIES:

	Stoney Creek Sanitary District	Toms Brook Sanitary District	North Fork Wastewater Fund	Landfill Fund	Total Enterprise Funds
Operating revenue	$ 1,117,368	$ 665,736	$ 85,581	$ 1,367,091	$ 3,235,776
Depreciation and amortization	133,323	177,913	39,308	507,300	857,844
Operating income (loss)	(249,382)	(908)	(149,686)	(1,429,891)	(1,829,867)
Current connection fees	10,000	107,500	-	-	117,500
Property, plant and equipment additions, net of retirements	(167,924)	(85,304)	-	(552,522)	(805,750)
Net working capital	979,955	1,001,562	(126,244)	(6,343)	1,848,930
Total assets	4,505,362	3,017,300	1,310,741	6,490,816	15,324,219
Long-term liabilities	389,269	436,823	945,373	10,972,835	12,744,300
Net position	3,879,576	2,452,129	213,207	(4,901,373)	1,643,539

NOTE 21—RESTATEMENT OF BEGINNING NET POSITION:

The beginning net position of the landfill fund was restated to properly reflect the estimated closure and post-closure care liability for the landfill at June 30, 2017 as follows:

	Business-type Activities Landfill
Net position at July 1, 2016 as originally reported	$ (6,120,240)
Correction of landfill closure and post-closure cost estimates to reflect new projections.	1,466,432
Net position at July 1, 2016 as restated	$ (4,653,808)

NOTE 22—LITIGATION:

At June 30, 2017, there were no matters of litigation involving the County for which would materially affect the County's financial position should any court decisions on pending matters not be favorable to the County.

NOTE 23—UPCOMING PRONOUNCEMENTS:

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

NOTE 23—UPCOMING PRONOUNCEMENTS: (CONTINUED)

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

Statement No. 83, Certain Asset Retirement Obligations, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 84, Fiduciary Activities, establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 86, Certain Debt Extinguishment Issues, improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

Statement No. 87, Leases, increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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

REQUIRED SUPPLEMENTARY INFORMATION

COUNTY OF SHENANDOAH, VIRGINIA **Exhibit 11**
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	$ 40,248,100	$ 40,248,100	$ 42,563,588	$ 2,315,488
Other local taxes	6,556,800	6,556,800	6,924,306	367,506
Permits, privilege fees, and regulatory licenses	347,678	347,678	372,308	24,630
Fines and forfeitures	75,300	75,300	60,697	(14,603)
Revenue from the use of money and property	427,300	427,300	569,096	141,796
Charges for services	1,540,071	1,540,071	1,817,194	277,123
Miscellaneous	262,590	582,288	451,294	(130,994)
Recovered costs	824,564	872,526	526,766	(345,760)
Intergovernmental:				
Commonwealth	10,227,501	10,469,471	10,317,912	(151,559)
Federal	2,197,190	3,067,104	5,122,012	2,054,908
Total revenues	$ 62,707,094	$ 64,186,638	$ 68,725,173	$ 4,538,535
EXPENDITURES				
Current:				
General government administration	$ 2,527,146	$ 2,527,146	$ 2,488,722	$ 38,424
Judicial administration	1,976,800	2,036,618	1,971,210	65,408
Public safety	14,634,618	15,746,617	15,198,189	548,428
Public works	1,167,930	1,221,003	1,140,004	80,999
Health and welfare	7,601,672	7,601,672	8,037,115	(435,443)
Education	26,053,232	26,053,232	25,490,023	563,209
Parks, recreation, and cultural	1,847,856	1,856,126	1,944,929	(88,803)
Community development	1,380,927	1,473,268	1,377,922	95,346
Nondepartmental	25,025	25,250	21,829	3,421
Capital projects	506,910	594,730	255,451	339,279
Debt service:				
Principal retirement	-	-	321,058	(321,058)
Interest and other fiscal charges	-	-	12,462	(12,462)
Total expenditures	$ 57,722,116	$ 59,135,662	$ 58,258,914	$ 876,748
Excess (deficiency) of revenues over (under) expenditures	$ 4,984,978	$ 5,050,976	$ 10,466,259	$ 5,415,283
OTHER FINANCING SOURCES (USES)				
Transfers out	$ (7,265,767)	$ (7,862,379)	$ (6,765,694)	$ 1,096,685
Issuance of capital leases	346,000	346,000	-	(346,000)
Total other financing sources (uses)	$ (6,919,767)	$ (7,516,379)	$ (6,765,694)	$ 750,685
Net change in fund balances	$ (1,934,789)	$ (2,465,403)	$ 3,700,565	$ 6,165,968
Fund balances - beginning	1,934,789	2,465,403	15,823,751	13,358,348
Fund balances - ending	$ -	$ -	$ 19,524,316	$ 19,524,316

Schedule of Changes in Net Pension Liability and Related Ratios
Primary Government
Years Ended June 30, 2015 through June 30, 2017

	2016	2015	2014
Total pension liability			
Service cost	$ 1,551,145	$ 2,097,765	$ 1,508,647
Interest	3,018,636	2,851,117	2,676,488
Changes of benefit terms	535,857	-	-
Differences between expected and actual experience	(729,854)	(666,172)	-
Benefit payments, including refunds of employee contributions	(2,076,885)	(1,702,272)	(1,678,590)
Net change in total pension liability	$ 2,298,899	$ 2,580,438	$ 2,506,545
Total pension liability - beginning	44,161,821	41,581,383	39,074,838
Total pension liability - ending (a)	$ 46,460,720	$ 44,161,821	$ 41,581,383
Plan fiduciary net position			
Contributions - employer	$ 1,419,174	$ 1,314,841	$ 1,629,069
Contributions - employee	617,782	601,964	660,270
Net investment income	697,945	1,739,727	5,094,975
Benefit payments, including refunds of employee contributions	(2,076,885)	(1,702,272)	(1,678,590)
Administrative expense	(24,366)	(23,243)	(26,677)
Other	(294)	(366)	268
Net change in plan fiduciary net position	$ 633,356	$ 1,930,651	$ 5,679,315
Plan fiduciary net position - beginning	39,560,950	37,630,301	31,950,986
Plan fiduciary net position - ending (b)	$ 40,194,306	$ 39,560,952	$ 37,630,301
County's net pension liability - ending (a) - (b)	$ 6,266,414	$ 4,600,869	$ 3,951,082
Plan fiduciary net position as a percentage of the total pension liability	86.51%	89.58%	90.50%
Covered payroll	$ 12,364,231	$ 11,980,248	$ 13,032,381
County's net pension liability as a percentage of covered payroll	50.68%	38.40%	30.32%

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

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

	2016	2015	2014
Total pension liability			
Service cost	$ 427,181	$ 447,419	$ 457,061
Interest	896,199	850,571	804,295
Differences between expected and actual experience	33,565	(9,646)	-
Benefit payments, including refunds of employee contributions	(657,857)	(615,175)	(585,358)
Net change in total pension liability	$ 699,088	$ 673,169	$ 675,998
Total pension liability - beginning	13,131,773	12,458,604	11,782,606
Total pension liability - ending (a)	$ 13,830,861	$ 13,131,773	$ 12,458,604
Plan fiduciary net position			
Contributions - employer	$ 328,594	$ 376,586	$ 425,500
Contributions - employee	194,128	207,759	201,912
Net investment income	211,944	534,599	1,583,539
Benefit payments, including refunds of employee contributions	(657,857)	(615,175)	(585,358)
Administrative expense	(7,534)	(7,246)	(8,448)
Other	(89)	(112)	83
Net change in plan fiduciary net position	$ 69,186	$ 496,411	$ 1,617,228
Plan fiduciary net position - beginning	12,143,856	11,647,445	10,030,217
Plan fiduciary net position - ending (b)	$ 12,213,042	$ 12,143,856	$ 11,647,445
School Division's net pension liability - ending (a) - (b)	$ 1,617,819	$ 987,917	$ 811,159
Plan fiduciary net position as a percentage of the total pension liability	88.30%	92.48%	93.49%
Covered payroll	$ 3,734,178	$ 4,162,752	$ 4,045,497
School Division's net pension liability as a percentage of covered payroll	43.32%	23.73%	20.05%

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

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

	2016	2015	2014
Employer's Proportion of the Net Pension Liability	0.444314%	0.43849%	0.42994%
Employer's Proportionate Share of the Net Pension Liability	$ 62,103,000	$ 55,190,000	$ 51,957,000
Employer's Covered Payroll	$ 33,541,671	$ 30,554,628	$ 31,425,592
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	185%	181%	165%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.28%	70.68%	70.88%

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

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

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
Primary Government					
2017	$ 1,191,675	$ 1,191,675	$ -	$ 12,460,402	9.56%
2016	1,433,014	1,433,014	-	12,364,231	11.59%
2015	1,321,421	1,321,421	-	11,980,248	11.03%
2014	1,616,015	1,616,015	-	13,032,381	12.40%
2013	1,337,231	1,337,231	-	11,814,373	11.32%
2012	990,583	990,583	-	10,885,524	9.10%
2011	998,629	998,629	-	10,973,944	9.10%
2010	1,036,997	1,036,997	-	11,296,267	9.18%
2009	1,026,270	1,026,270	-	11,179,417	9.18%
2008	894,627	894,627	-	10,612,425	8.43%
Component Unit School Board (nonprofessional)					
2017	$ 240,836	$ 240,836	$ -	$ 3,668,393	6.57%
2016	335,329	335,329	-	3,734,178	8.98%
2015	373,815	373,815	-	4,162,752	8.98%
2014	425,991	425,991	-	4,045,497	10.53%
2013	410,155	410,155	-	3,895,105	10.53%
2012	328,286	328,286	-	3,688,609	8.90%
2011	324,788	324,788	-	3,649,301	8.90%
2010	321,564	321,564	-	3,787,556	8.49%
2009	323,027	323,027	-	3,804,788	8.49%
2008	249,711	249,711	-	3,645,416	6.85%
Component Unit School Board (professional)					
2017	$ 4,933,757	$ 4,933,757	$ -	$ 33,654,550	14.66%
2016	4,715,959	4,715,959	-	33,541,671	14.06%
2015	4,430,421	4,430,421	-	30,554,628	14.50%
2014	3,664,224	3,664,224	-	31,425,592	11.66%
2013	3,663,267	3,663,267	-	31,417,384	11.66%
2012	1,837,320	1,837,320	-	29,025,592	6.33%
2011	1,177,089	1,177,089	-	29,951,374	3.93%
2010	1,958,090	1,958,090	-	22,225,766	8.81%
2009	2,735,027	2,735,027	-	31,044,574	8.81%
2008	3,070,573	3,070,573	-	29,811,388	10.30%

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

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2016 are not material.

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

Largest 10 – Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 – LEOS:
- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – LEOS:
- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

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

Schedule of OPEB Funding Progress
June 30, 2017

PRIMARY GOVERNMENT:

County Other Postemployment Benefit Program

Actuarial Valuation Date*	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as % of Covered Payroll ((b-a)/c)
06/30/16	$ -	$ 1,564,000	$ 1,564,000	0.00%	$ 11,212,000	13.95%
06/30/14 ®	-	1,281,000	1,281,000	0.00%	11,846,950	10.81%
06/30/14	-	1,219,000	1,219,000	0.00%	11,558,000	10.55%

* Valuation performed bi-annually
® = Roll-forward of valuation date results to June 30, 2015

Virginia Retirement System-Health Insurance Credit

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as % of Covered Payroll ((b-a)/c)
06/30/16	$ 197,015	$ 221,976	$ 24,961	88.76%	$ 7,012,468	0.36%
06/30/15	199,317	227,734	28,417	87.52%	6,869,895	0.41%
06/30/14	195,039	208,455	13,416	93.56%	6,541,352	0.21%

DISCRETELY PRESENTED COMPONENT UNIT:

School Board Other Postemployment Benefit Program

Actuarial Valuation Date*	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as % of Covered Payroll ((b-a)/c)
06/30/16	$ -	$ 6,288,000	$ 6,288,000	0.00%	$ 33,263,000	18.90%
06/30/14 ®	-	7,655,000	7,655,000	0.00%	34,448,200	22.22%
06/30/14	-	7,197,000	7,197,000	0.00%	33,608,000	21.41%

* Valuation performed bi-annually
® = Roll-forward of valuation date results to June 30, 2015

OTHER SUPPLEMENTARY INFORMATION

COUNTY OF SHENANDOAH, VIRGINIA **Exhibit 18**

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual--
County Debt Service Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Miscellaneous	$ 511,900	$ 511,900	$ 514,302	$ 2,402
Total revenues	$ 511,900	$ 511,900	$ 514,302	$ 2,402
EXPENDITURES				
Debt service:				
Principal retirement	$ 3,839,777	$ 3,839,777	$ 3,839,777	$ -
Interest and other fiscal charges	2,082,800	2,082,800	2,082,800	-
Total expenditures	$ 5,922,577	$ 5,922,577	$ 5,922,577	$ -
Excess (deficiency) of revenues over (under) expenditures	$ (5,410,677)	$ (5,410,677)	$ (5,408,275)	$ 2,402
OTHER FINANCING SOURCES (USES)				
Transfers in	$ 5,410,677	$ 5,410,677	$ 5,408,275	$ (2,402)
Total other financing sources (uses)	$ 5,410,677	$ 5,410,677	$ 5,408,275	$ (2,402)
Net change in fund balances	$ -	$ -	$ -	$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	$ -	$ -	$ -	$ -

COUNTY OF SHENANDOAH, VIRGINIA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
County Capital Projects Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Miscellaneous	$ -	$ -	$ 241,130	$ 241,130
Total revenues	$ -	$ -	$ 241,130	$ 241,130
EXPENDITURES				
Capital projects	$ -	$ 224,623	$ -	$ 224,623
Total expenditures	$ -	$ 224,623	$ -	$ 224,623
Excess (deficiency) of revenues over (under) expenditures	$ -	$ (224,623)	$ 241,130	$ 465,753
OTHER FINANCING SOURCES (USES)				
Transfers out	$ -	$ -	$ -	$ -
Total other financing sources (uses)	$ -	$ -	$ -	$ -
Net change in fund balances	$ -	$ (224,623)	$ 241,130	$ 465,753
Fund balances - beginning	-	224,623	7,863,564	7,638,941
Fund balances - ending	$ -	$ -	$ 8,104,694	$ 8,104,694

COMBINING FUND STATEMENTS

COUNTY OF SHENANDOAH, VIRGINIA **Exhibit 20**
Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

	Special Revenue Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	$ 88,519	$ 100,084	$ 188,603
Total assets	$ 88,519	$ 100,084	$ 188,603
LIABILITIES AND FUND BALANCES			
Fund balances:			
Assigned:			
Landfill contingency	$ 88,519	$ -	$ 88,519
Capital projects	-	100,084	100,084
Total fund balances	$ 88,519	$ 100,084	$ 188,603
Total liabilities and fund balances	$ 88,519	$ 100,084	$ 188,603

COUNTY OF SHENANDOAH, VIRGINIA **Exhibit 21**
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2017

	Special Revenue Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
REVENUES			
Revenue from the use of money and property	$ -	$ -	$ -
Miscellaneous	-	-	-
Total revenues	$ -	$ -	$ -
Excess (deficiency) of revenues over (under) expenditures	$ -	$ -	$ -
OTHER FINANCING SOURCES (USES)			
Transfers in	$ -	$ -	$ -
Total other financing sources (uses)	$ -	$ -	$ -
Net change in fund balances	$ -	$ -	$ -
Fund balances - beginning	88,519	100,084	188,603
Fund balances - ending	$ 88,519	$ 100,084	$ 188,603

COUNTY OF SHENANDOAH, VIRGINIA **Exhibit 22**
Combining Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	Agency Funds		
	Special Welfare	Ambulance Recovery	Total
ASSETS			
Cash and cash equivalents	$ 11,313	$ 569,967	$ 581,280
Receivables:			
Accounts receivable	-	325,695	325,695
Total assets	$ 11,313	$ 895,662	$ 906,975
LIABILITIES			
Amounts held for social services clients	$ 11,313	$ -	$ 11,313
Amounts held for locality rescue agencies	-	895,662	895,662
Total liabilities	$ 11,313	$ 895,662	$ 906,975

COUNTY OF SHENANDOAH, VIRGINIA **Exhibit 23**
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2017

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Special Welfare				
ASSETS				
Cash and cash equivalents	$ 6,539	$ 5,228	$ 454	$ 11,313
Total assets	$ 6,539	$ 5,228	$ 454	$ 11,313
LIABILITIES				
Amounts held for social services clients	$ 6,539	$ 5,228	$ 454	$ 11,313
Total liabilities	$ 6,539	$ 5,228	$ 454	$ 11,313
Ambulance Recovery				
ASSETS				
Cash and cash equivalents	$ 738,178	$ 1,414,095	$ 1,582,306	$ 569,967
Accounts receivable	580,848	903,731	1,158,884	325,695
Total assets	$ 1,319,026	$ 2,317,826	$ 2,741,190	$ 895,662
LIABILITIES				
Amounts held for locality rescue agencies	$ 1,319,026	$ 805,092	$ 1,228,456	$ 895,662
Total liabilities	$ 1,319,026	$ 805,092	$ 1,228,456	$ 895,662
Totals - All Agency Funds:				
ASSETS				
Cash and cash equivalents	$ 744,717	$ 1,419,323	$ 1,582,760	$ 581,280
Accounts receivable	580,848	903,731	1,158,884	325,695
Total assets	$ 1,325,565	$ 2,323,054	$ 2,741,644	$ 906,975
LIABILITIES				
Amounts held for social services clients	$ 6,539	$ 5,228	$ 454	$ 11,313
Amounts held for locality rescue agencies	1,319,026	2,317,826	2,741,190	895,662
Total liabilities	$ 1,325,565	$ 2,323,054	$ 2,741,644	$ 906,975

DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD

COUNTY OF SHENANDOAH, VIRGINIA **Exhibit 24**
Combining Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2017

	School Operating Fund	School Cafeteria Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 5,218,755	$ 1,189,417	$ 6,408,172
Receivables (net of allowance for uncollectibles):			
Accounts receivable	104,843	-	104,843
Due from other funds	120,057	-	120,057
Due from other governmental units	1,708,165	7,366	1,715,531
Inventories	-	81,989	81,989
Prepaid items	12,074	-	12,074
Deposits	5,000	-	5,000
Total assets	$ 7,168,894	$ 1,278,772	$ 8,447,666
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 212,016	$ 4,101	$ 216,117
Accrued payroll	5,003,317	141,052	5,144,369
Due to other funds	-	120,057	120,057
Due to primary government	1,953,561	-	1,953,561
Total liabilities	$ 7,168,894	$ 265,210	$ 7,434,104
Fund balances:			
Nonspendable:			
Inventory	$ -	$ 81,989	$ 81,989
Prepaid items	12,074	-	12,074
Assigned:			
Cafeteria	-	931,573	931,573
Unassigned	(12,074)	-	(12,074)
Total fund balances	$ -	$ 1,013,562	$ 1,013,562
Total liabilities and fund balances	$ 7,168,894	$ 1,278,772	$ 8,447,666

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:	
Total fund balances per above	$ 1,013,562
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	47,411,476
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	(2,497,988)
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.	5,174,593
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	(62,681,577)
Net position of governmental activities	$ (11,579,934)

THIS PAGE LEFT BLANK INTENTIONALLY

COUNTY OF SHENANDOAH, VIRGINIA **Exhibit 25**

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

	School Operating Fund	School Cafeteria Fund	Total Governmental Funds
REVENUES			
Revenue from the use of money and property	$ 27,130	$ 7,469	$ 34,599
Charges for services	3,126,707	717,591	3,844,298
Miscellaneous	124,785	94,963	219,748
Recovered costs	46,616	-	46,616
Intergovernmental:			
Local government	25,444,677	-	25,444,677
Commonwealth	33,924,570	47,790	33,972,360
Federal	2,867,195	1,508,280	4,375,475
Total revenues	$ 65,561,680	$ 2,376,093	$ 67,937,773
EXPENDITURES			
Current:			
Education	$ 65,561,680	$ 2,269,798	$ 67,831,478
Total expenditures	$ 65,561,680	$ 2,269,798	$ 67,831,478
Excess (deficiency) of revenues over (under) expenditures	$ -	$ 106,295	$ 106,295
Net change in fund balances	$ -	$ 106,295	$ 106,295
Fund balances - beginning	-	907,267	907,267
Fund balances - ending	$ -	$ 1,013,562	$ 1,013,562

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

Net change in fund balances - total governmental funds	$ 106,295
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.	1,370,120
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	2,626,468
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.	(3,670,652)
Change in net position of governmental activities	$ 432,231

COUNTY OF SHENANDOAH, VIRGINIA
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2017

	School Operating Fund			
	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Revenue from the use of money and property	$ 14,000	$ 14,000	$ 27,130	$ 13,130
Charges for services	2,597,829	3,326,468	3,126,707	(199,761)
Miscellaneous	166,226	71,500	124,785	53,285
Recovered costs	-	48,176	46,616	(1,560)
Intergovernmental:				
Local government	26,007,886	26,007,886	25,444,677	(563,209)
Commonwealth	34,296,270	34,550,893	33,924,570	(626,323)
Federal	2,674,295	2,674,295	2,867,195	192,900
Total revenues	$ 65,756,506	$ 66,693,218	$ 65,561,680	$ (1,131,538)
EXPENDITURES				
Current:				
Education	$ 65,756,506	$ 66,693,218	$ 65,561,680	$ 1,131,538
Total expenditures	$ 65,756,506	$ 66,693,218	$ 65,561,680	$ 1,131,538
Excess (deficiency) of revenues over (under) expenditures	$ -	$ -	$ -	$ -
Net change in fund balances	$ -	$ -	$ -	$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	$ -	$ -	$ -	$ -

School Cafeteria Fund			
Budgeted Amounts			Variance with Final Budget Positive
Original	Final	Actual	(Negative)
$ 3,769	$ 3,769	$ 7,469	$ 3,700
899,268	899,268	717,591	(181,677)
52,500	52,500	94,963	42,463
-	-	-	-
-	-	-	-
40,000	40,000	47,790	7,790
1,370,961	1,370,961	1,508,280	137,319
$ 2,366,498	$ 2,366,498	$ 2,376,093	$ 9,595
$ 2,566,498	$ 2,566,498	$ 2,269,798	$ 296,700
$ 2,566,498	$ 2,566,498	$ 2,269,798	$ 296,700
$ (200,000)	$ (200,000)	$ 106,295	$ 306,295
$ (200,000)	$ (200,000)	$ 106,295	$ 306,295
200,000	200,000	907,267	707,267
$ -	$ -	$ 1,013,562	$ 1,013,562

SUPPORTING SCHEDULES

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	$ 25,779,200	$ 25,779,200	$ 26,395,281	$ 616,081
Real and personal public service corporation taxes	1,347,600	1,347,600	1,562,750	215,150
Personal property taxes	9,821,100	9,821,100	10,878,083	1,056,983
Mobile home taxes	24,000	24,000	29,609	5,609
Machinery and tools taxes	2,435,000	2,435,000	2,674,821	239,821
Merchants capital	271,200	271,200	313,730	42,530
Penalties	314,000	314,000	359,394	45,394
Interest	256,000	256,000	349,920	93,920
Total general property taxes	$ 40,248,100	$ 40,248,100	$ 42,563,588	$ 2,315,488
Other local taxes:				
Local sales and use taxes	$ 3,260,000	$ 3,260,000	$ 3,536,415	$ 276,415
Consumers' utility taxes	1,984,300	1,984,300	1,937,678	(46,622)
Utility license taxes	30,300	30,300	7,931	(22,369)
Motor vehicle licenses	846,000	846,000	871,435	25,435
Taxes on recordation and wills	300,400	300,400	410,384	109,984
Transient occupancy tax	135,800	135,800	160,463	24,663
Total other local taxes	$ 6,556,800	$ 6,556,800	$ 6,924,306	$ 367,506
Permits, privilege fees, and regulatory licenses:				
Animal licenses	$ 19,500	$ 19,500	$ 20,904	$ 1,404
Land use application fees	35,600	35,600	3,266	(32,334)
Transfer fees	-	-	2,141	2,141
Permits and other licenses	292,578	292,578	345,997	53,419
Total permits, privilege fees, and regulatory licenses	$ 347,678	$ 347,678	$ 372,308	$ 24,630
Fines and forfeitures:				
Court fines and forfeitures	$ 75,300	$ 75,300	$ 60,697	$ (14,603)
Revenue from use of money and property:				
Revenue from use of money	$ 50,000	$ 50,000	$ 166,360	$ 116,360
Revenue from use of property	377,300	377,300	402,736	25,436
Total revenue from use of money and property	$ 427,300	$ 427,300	$ 569,096	$ 141,796
Charges for services:				
Charges for courthouse security	$ 96,200	$ 96,200	$ 103,677	$ 7,477
Law library fees	22,500	22,500	10,952	(11,548)
Charges for Commonwealth's Attorney	3,700	3,700	5,223	1,523
Charges for animal protection	9,430	9,430	9,387	(43)
Charges for courthouse construction	38,500	38,500	34,616	(3,884)
Charges for parks and recreation	259,741	259,741	383,222	123,481
Charges for spay and neuter	4,000	4,000	3,970	(30)
KidzRec	420,000	420,000	461,348	41,348
Charges for courthouse maintenance	25,000	25,000	22,622	(2,378)
Charges for ambulance recoveries	655,000	655,000	706,975	51,975
Charges for services - other	6,000	6,000	75,202	69,202
Total charges for services	$ 1,540,071	$ 1,540,071	$ 1,817,194	$ 277,123

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund (continued):				
Miscellaneous:				
Miscellaneous	$ 168,000	$ 425,945	$ 78,925	$ (347,020)
Refunds and recoveries	94,590	156,343	372,369	216,026
Total miscellaneous	$ 262,590	$ 582,288	$ 451,294	$ (130,994)
Recovered costs:				
Other recovered costs	$ 824,564	$ 872,526	$ 526,766	$ (345,760)
Total recovered costs	$ 824,564	$ 872,526	$ 526,766	$ (345,760)
Total revenue from local sources	$ 50,282,403	$ 50,650,063	$ 53,285,249	$ 2,635,186
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	$ 53,700	$ 53,700	$ 40,645	$ (13,055)
Mobile home titling tax	8,200	8,200	10,432	2,232
State recordation tax	186,500	186,500	251,122	64,622
Personal property tax relief funds	3,647,829	3,647,829	3,647,829	-
Total noncategorical aid	$ 3,896,229	$ 3,896,229	$ 3,950,028	$ 53,799
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	$ 378,025	$ 378,025	$ 367,405	$ (10,620)
Sheriff	1,754,570	1,754,570	1,725,225	(29,345)
Commissioner of revenue	125,596	125,596	124,634	(962)
Treasurer	128,282	128,282	125,531	(2,751)
Registrar/electoral board	43,540	43,540	41,896	(1,644)
Clerk of the Circuit Court	316,560	316,560	310,038	(6,522)
Total shared expenses	$ 2,746,573	$ 2,746,573	$ 2,694,729	$ (51,844)
Other categorical aid:				
Litter control grant	$ 18,000	$ 20,574	$ 18,221	$ (2,353)
Welfare administration and assistance	1,253,000	1,253,000	1,122,178	(130,822)
Forfeited drug assets	-	25,000	19,722	(5,278)
DMV grant	-	4,180	-	(4,180)
Comprehensive services act	1,741,400	1,741,400	1,869,560	128,160
VJCCCA grant	31,204	31,204	31,204	-
Victim-witness grant	53,346	53,346	32,719	(20,627)
Wireless E-911 grant	106,350	106,350	106,660	310
Fire programs fund	79,391	79,391	81,320	1,929
Extradition of prisoners	1,280	4,709	4,829	120
Rent health department	-	-	7,200	7,200
Other categorical aid	300,728	507,515	379,542	(127,973)
Total other categorical aid	$ 3,584,699	$ 3,826,669	$ 3,673,155	$ (153,514)
Total categorical aid	$ 6,331,272	$ 6,573,242	$ 6,367,884	$ (205,358)
Total revenue from the Commonwealth	$ 10,227,501	$ 10,469,471	$ 10,317,912	$ (151,559)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund (continued):				
Intergovernmental: (continued)				
Revenue from the federal government:				
Payments in lieu of taxes	$ 160,700	$ 160,700	$ 196,491	$ 35,791
Categorical aid:				
DMV ground transportation safety grant	$ 24,760	$ 24,760	$ 25,597	$ 837
U.S. Forest Service Patrol	7,751	7,751	5,269	(2,482)
Bullet proof vest grant	-	6,976	2,490	(4,486)
Welfare administration and assistance	1,682,000	1,682,000	1,820,747	138,747
Forfeited drug assets	228,025	1,046,302	2,897,438	1,851,136
Project lifesaver	3,505	3,505	710	(2,795)
Homeland security grant	23,509	23,509	97,018	73,509
Triad grant	2,940	2,940	3,575	635
Victim witness	-	-	70,619	70,619
Other categorical aid	64,000	108,661	2,058	(106,603)
Total categorical aid	$ 2,036,490	$ 2,906,404	$ 4,925,521	$ 2,019,117
Total revenue from the federal government	$ 2,197,190	$ 3,067,104	$ 5,122,012	$ 2,054,908
Total General Fund	$ 62,707,094	$ 64,186,638	$ 68,725,173	$ 4,538,535
Debt Service Funds:				
County Debt Service Fund:				
Revenue from local sources:				
Miscellaneous:				
Interest subsidy	$ 511,900	$ 511,900	$ 514,302	$ 2,402
Total miscellaneous	$ 511,900	$ 511,900	$ 514,302	$ 2,402
Total Debt Service Fund	$ 511,900	$ 511,900	$ 514,302	$ 2,402
Capital Projects Funds:				
County Capital Projects Fund:				
Revenue from local sources:				
Miscellaneous:				
Miscellaneous	$ -	$ -	$ 241,130	$ 241,130
Total miscellaneous	$ -	$ -	$ 241,130	$ 241,130
Total Capital Projects Fund	$ -	$ -	$ 241,130	$ 241,130
Total Primary Government	$ 63,218,994	$ 64,698,538	$ 69,480,605	$ 4,782,067

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	$ 14,000	$ 14,000	$ 27,130	$ 13,130
Total revenue from use of money and property	$ 14,000	$ 14,000	$ 27,130	$ 13,130
Charges for services:				
Tuition and other payments	$ 2,474,418	$ 3,203,057	$ 2,959,724	$ (243,333)
Other charges for services	123,411	123,411	166,983	43,572
Total charges for services	$ 2,597,829	$ 3,326,468	$ 3,126,707	$ (199,761)
Miscellaneous:				
Other miscellaneous	$ 166,226	$ 71,500	$ 124,785	$ 53,285
Total miscellaneous	$ 166,226	$ 71,500	$ 124,785	$ 53,285
Recovered costs:				
Other recovered costs	$ -	$ 48,176	$ 46,616	$ (1,560)
Total revenue from local sources	$ 2,778,055	$ 3,460,144	$ 3,325,238	$ (134,906)
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Shenandoah, Virginia	$ 26,007,886	$ 26,007,886	$ 25,444,677	$ (563,209)
Revenue from the Commonwealth:				
Categorical aid:				
State sales tax	$ 7,072,731	$ 7,072,731	$ 6,903,447	$ (169,284)
Basic aid	16,266,176	16,266,176	16,241,087	(25,089)
Remedial summer school	86,356	86,356	84,768	(1,588)
Foster home children	86,045	86,045	40,451	(45,594)
GED	15,717	15,717	16,835	1,118
Gifted and talented	176,361	176,361	175,318	(1,043)
Remedial education	591,545	591,545	588,047	(3,498)
Special education	1,609,296	1,609,296	1,599,779	(9,517)
Textbook payments	403,353	403,353	400,967	(2,386)
Vocational education	829,043	829,043	780,641	(48,402)
Fringe benefits	3,156,132	3,156,132	3,137,466	(18,666)
Early reading intervention	99,320	99,320	97,250	(2,070)
Mentor teacher program	7,454	7,454	5,265	(2,189)
Homebound	7,163	7,163	12,476	5,313
Special education regional program	1,035,599	1,035,599	1,035,599	-
At risk program	445,753	445,753	442,992	(2,761)
Primary class size payments	707,684	707,684	703,699	(3,985)
School technology funds	284,000	284,000	284,000	-
School construction	-	-	8,272	8,272
Special education- foster children	-	-	454	454
Algebra readiness	70,192	70,192	72,261	2,069
English as a second language	224,991	224,991	222,942	(2,049)
Enrollment loss	-	-	10,220	10,220
Virginia preschool initiative payment	482,879	482,879	430,837	(52,042)
Academic year governors school	192,184	192,184	247,607	55,423
National board certification bonus	-	-	10,000	10,000
Other categorical aid	446,296	700,919	371,890	(329,029)
Total categorical aid	$ 34,296,270	$ 34,550,893	$ 33,924,570	$ (626,323)
Total revenue from the Commonwealth	$ 34,296,270	$ 34,550,893	$ 33,924,570	$ (626,323)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit School Board (continued):				
School Operating Fund (continued):				
Intergovernmental: (continued)				
Revenue from the federal government:				
Categorical aid:				
Title I	$ 1,226,901	$ 1,226,901	$ 1,234,253	$ 7,352
Forest reserve	14,821	14,821	13,261	(1,560)
Title II Part A	178,911	178,911	169,621	(9,290)
Title VI-B	1,099,572	1,099,572	1,282,843	183,271
Title III-Part A	36,556	36,556	-	(36,556)
Vocational education	117,534	117,534	96,614	(20,920)
Preschool	-	-	46,308	46,308
Other	-	-	24,295	24,295
Total categorical aid	$ 2,674,295	$ 2,674,295	$ 2,867,195	$ 192,900
Total revenue from the federal government	$ 2,674,295	$ 2,674,295	$ 2,867,195	$ 192,900
Total School Operating Fund	$ 65,756,506	$ 66,693,218	$ 65,561,680	$ (1,131,538)
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	$ 3,769	$ 3,769	$ 7,469	$ 3,700
Charges for services:				
School food services	$ 899,268	$ 899,268	$ 717,591	$ (181,677)
Miscellaneous:				
Miscellaneous	$ 52,500	$ 52,500	$ 94,963	$ 42,463
Total revenue from local sources	$ 955,537	$ 955,537	$ 820,023	$ (135,514)
Intergovenrmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program	$ 40,000	$ 40,000	$ 47,790	$ 7,790
Total revenue from the Commonwealth	$ 40,000	$ 40,000	$ 47,790	$ 7,790

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit School Board (continued):				
School Cafeteria Fund (continued):				
Revenue from the federal government:				
Categorical aid:				
School food program	$ 1,370,961	$ 1,370,961	$ 1,324,773	$ (46,188)
USDA commodities	-	-	183,507	183,507
Total categorical aid	$ 1,370,961	$ 1,370,961	$ 1,508,280	$ 137,319
Total revenue from the federal government	$ 1,370,961	$ 1,370,961	$ 1,508,280	$ 137,319
Total School Cafeteria Fund	$ 2,366,498	$ 2,366,498	$ 2,376,093	$ 9,595
Total Discretely Presented Component Unit - School Board	$ 68,123,004	$ 69,059,716	$ 67,937,773	$ (1,121,943)

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	$ 227,745	$ 227,745	$ 217,123	$ 10,622
General and financial information:				
County administrator	$ 423,830	$ 423,831	$ 412,982	$ 10,849
Budget	250,291	250,291	213,107	37,184
Legal services	72,000	72,000	147,286	(75,286)
Commissioner of revenue	451,661	451,661	452,999	(1,338)
Reassessment	5,833	5,833	778	5,055
Treasurer	563,850	563,850	553,321	10,529
Central accounting	70,000	70,000	62,857	7,143
Data processing	132,240	132,240	122,676	9,564
Geographic information system	106,035	106,034	102,614	3,420
Total general and financial information	$ 2,075,740	$ 2,075,740	$ 2,068,620	$ 7,120
Board of elections:				
Electoral board and officials	$ 86,406	$ 86,406	$ 79,956	$ 6,450
Registrar	137,255	137,255	123,023	14,232
Total board of elections	$ 223,661	$ 223,661	$ 202,979	$ 20,682
Total general government administration	$ 2,527,146	$ 2,527,146	$ 2,488,722	$ 38,424
Judicial administration:				
Courts:				
Circuit court	$ 66,013	$ 66,013	$ 64,418	$ 1,595
General district court	8,200	8,200	6,612	1,588
Special magistrates	4,725	4,725	1,763	2,962
Clerk of the circuit court	573,694	573,694	566,546	7,148
Sheriff	722,120	722,120	649,426	72,694
Juvenile domestic	12,775	12,775	8,659	4,116
Law library	7,500	7,500	7,427	73
Records restoration	-	17,215	29,581	(12,366)
Victim witness	53,346	77,596	94,964	(17,368)
Total courts	$ 1,448,373	$ 1,489,838	$ 1,429,396	$ 60,442
Commonwealth's attorney:				
Commonwealth's attorney	$ 528,427	$ 546,780	$ 541,814	$ 4,966
Total judicial administration	$ 1,976,800	$ 2,036,618	$ 1,971,210	$ 65,408
Public safety:				
Law enforcement and traffic control:				
Sheriff	$ 4,729,208	$ 5,638,808	$ 5,087,444	$ 551,364
Total law enforcement and traffic control	$ 4,729,208	$ 5,638,808	$ 5,087,444	$ 551,364
Fire and rescue services:				
Volunteer fire department	$ 1,028,825	$ 1,029,427	$ 1,178,830	$ (149,403)
Ambulance and rescue services	25,009	25,009	57,753	(32,744)
Forest fire extinction	9,495	9,495	9,495	-
Fire and rescue services	3,708,597	3,714,793	3,888,836	(174,043)
Total fire and rescue services	$ 4,771,926	$ 4,778,724	$ 5,134,914	$ (356,190)

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (continued)				
Public safety: (continued)				
Correction and detention:				
Jail	$ 2,511,436	$ 2,511,436	$ 2,361,873	$ 149,563
Juvenile probation and detention	499,111	499,111	484,273	14,838
Total correction and detention	$ 3,010,547	$ 3,010,547	$ 2,846,146	$ 164,401
Inspections:				
Building	$ 397,555	$ 398,042	$ 371,263	$ 26,779
Other protection:				
Animal control	$ 151,000	$ 151,739	$ 131,275	$ 20,464
Animal shelter	256,331	299,404	234,213	65,191
Medical examiner	900	900	520	380
Emergency services	1,317,151	1,468,453	1,392,414	76,039
Total other protection	$ 1,725,382	$ 1,920,496	$ 1,758,422	$ 162,074
Total public safety	$ 14,634,618	$ 15,746,617	$ 15,198,189	$ 548,428
Public works:				
Maintenance of general buildings and grounds:				
General properties	$ 1,167,930	$ 1,221,003	$ 1,140,004	$ 80,999
Total public works	$ 1,167,930	$ 1,221,003	$ 1,140,004	$ 80,999
Health and welfare:				
Health:				
Supplement of local health department	$ 320,932	$ 320,932	$ 320,932	$ -
Mental health and mental retardation:				
Northwestern Community Services Board	$ 241,646	$ 241,646	$ 241,646	$ -
Total mental health and mental retardation	$ 241,646	$ 241,646	$ 241,646	$ -
Welfare administration	$ 3,957,520	$ 3,957,520	$ 3,956,107	$ 1,413
Comprehensive services act	2,741,574	2,741,574	3,160,653	(419,079)
Area Agency on Aging	68,000	68,000	68,000	-
Tax relief for the elderly	210,000	210,000	232,777	(22,777)
Operation county/farm home	5,000	5,000	-	5,000
Other local health and welfare organizations	57,000	57,000	57,000	-
Total welfare administration	$ 7,039,094	$ 7,039,094	$ 7,474,537	$ (435,443)
Total health and welfare	$ 7,601,672	$ 7,601,672	$ 8,037,115	$ (435,443)

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (continued)				
Education:				
Other instructional costs:				
Contributions to community colleges	$ 45,346	$ 45,346	$ 45,346	$ -
Contribution to County School Board	26,007,886	26,007,886	25,444,677	563,209
Total education	$ 26,053,232	$ 26,053,232	$ 25,490,023	$ 563,209
Parks, recreation, and cultural:				
Parks and recreation:				
Administration	$ 695,697	$ 699,717	$ 839,683	$ (139,966)
KidzRock	420,000	420,000	376,553	43,447
Total parks and recreation	$ 1,115,697	$ 1,119,717	$ 1,216,236	$ (96,519)
Cultural enrichment:				
Contributions to community programs	$ 9,500	$ 13,750	$ 8,750	$ 5,000
Total cultural enrichment	$ 9,500	$ 13,750	$ 8,750	$ 5,000
Library:				
Contribution to County Library	$ 722,659	$ 722,659	$ 719,943	$ 2,716
Total parks, recreation, and cultural	$ 1,847,856	$ 1,856,126	$ 1,944,929	$ (88,803)
Community development:				
Planning and community development:				
Community development	$ 408,828	$ 408,828	$ 371,500	$ 37,328
Economic development	278,411	309,411	289,607	19,804
Tourism	191,411	250,178	249,426	752
Litter control	18,000	20,574	20,146	428
Total planning and community development	$ 896,650	$ 988,991	$ 930,679	$ 58,312
Environmental management:				
Soil and water conservation district	$ 338,564	$ 338,564	$ 323,170	$ 15,394
Total environmental management	$ 338,564	$ 338,564	$ 323,170	$ 15,394
Cooperative extension program:				
Extension office	$ 145,713	$ 145,713	$ 124,073	$ 21,640
Total community development	$ 1,380,927	$ 1,473,268	$ 1,377,922	$ 95,346
Nondepartmental:				
Judgments and settlements	$ 475	$ 700	$ 1,320	$ (620)
Revenue refunds	24,550	24,550	11,292	13,258
Miscellaneous	-	-	9,217	(9,217)
Total nondepartmental	$ 25,025	$ 25,250	$ 21,829	$ 3,421
Capital projects:				
Other capital projects	$ 506,910	$ 594,730	$ 255,451	$ 339,279
Total capital projects	$ 506,910	$ 594,730	$ 255,451	$ 339,279
Debt service:				
Principal	$ -	$ -	$ 321,058	$ (321,058)
Interest and other fiscal charges	-	-	12,462	(12,462)
Total debt service	$ -	$ -	$ 333,520	$ (333,520)
Total General Fund	$ 57,722,116	$ 59,135,662	$ 58,258,914	$ 876,748

Governmental Funds
For the Year Ended June 30, 2017 (Continued)

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Debt Service Funds:				
County Debt Service Fund				
Debt service:				
Principal	$ 3,839,777	$ 3,839,777	$ 3,839,777	$ -
Interest and other fiscal charges	2,082,800	2,082,800	2,082,800	-
Total County Debt Service Fund	$ 5,922,577	$ 5,922,577	$ 5,922,577	$ -
Capital Projects Funds:				
County Capital Projects Fund				
Capital projects expenditures:				
Shelter modifications	$ -	$ 224,623	$ -	$ 224,623
Total County Capital Projects Fund	$ -	$ 224,623	$ -	$ 224,623
Total Primary Government	$ 63,644,693	$ 65,282,862	$ 64,181,491	$ 1,101,371
Discretely Presented Component Unit - School Board				
School Operating Fund:				
Education:				
Instructional	$ 51,344,975	$ 51,983,817	$ 50,024,113	$ 1,959,704
Operating costs:				
Attendance and health services	2,489,185	2,492,871	2,724,156	(231,285)
Pupil transportation	4,550,760	4,797,615	5,510,214	(712,599)
Operation and maintenance of school plant	6,258,572	6,252,858	5,738,713	514,145
Electronic technology	1,113,014	1,166,057	1,564,484	(398,427)
Total operating costs	$ 14,411,531	$ 14,709,401	$ 15,537,567	$ (828,166)
Total School operating fund	$ 65,756,506	$ 66,693,218	$ 65,561,680	$ 1,131,538
School Cafeteria Fund:				
Education:				
School food services:				
School cafeteria	$ 2,566,498	$ 2,566,498	$ 2,269,798	$ 296,700
Total school cafeteria fund	$ 2,566,498	$ 2,566,498	$ 2,269,798	$ 296,700
Total Discretely Presented Component Unit School Board	$ 68,323,004	$ 69,259,716	$ 67,831,478	$ 1,428,238

STATISTICAL SECTION

STATISTICAL SECTION

Contents **Tables**

Financial Trends

These tables contain trend information to help the reader understand how the County's financial performance and well-being have changed over time. 1-5

Revenue Capacity

These tables contain information to help the reader assess the factors affecting the County's ability to generate its property and sales taxes. 6-10

Debt Capacity

These tables present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future. 11-13

Demographic and Economic Information

These tables offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place and to help make comparisons over time and with other governments. 14-15

Operating Information

These tables contain information about the County's operations and resources to help the reader understand how the County's financial information relate to the services the County provides and the activities it performs. 16-18

Sources:

Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year.

THIS PAGE LEFT BLANK INTENTIONALLY

COUNTY OF SHENANDOAH, VIRGINIA

Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	2008	2009	2010	2011
Governmental Activities:				
Net investment in capital assets	$ 821,843	$ 3,525,823	$ 4,902,912	$ 3,331,416
Restricted	-	315,168	315,168	4,372,985
Unrestricted	17,099,923	8,482,928	5,193,805	5,091,476
Total governmental activities net position	$ 17,921,766	$ 12,323,919	$ 10,411,885	$ 12,795,877
Business-type Activities:				
Net investment in capital assets	$ 2,382,773	$ 2,686,610	$ 3,093,376	$ 3,633,593
Restricted	-	59,736	-	-
Unrestricted	2,308,568	1,818,107	1,415,311	1,436,310
Total business-type activities net position	$ 4,691,341	$ 4,564,453	$ 4,508,687	$ 5,069,903
Primary government:				
Net investment in capital assets	$ 3,204,616	$ 6,212,433	$ 7,996,288	$ 6,965,009
Restricted	-	374,904	315,168	4,372,985
Unrestricted	19,408,491	10,301,035	6,609,116	6,527,786
Total primary government net position	$ 22,613,107	$ 16,888,372	$ 14,920,572	$ 17,865,780

Fiscal Year					
2012	**2013**	**2014**	**2015**	**2016**	**2017**
$ (352,810)	$ 766,198	$ 2,474,405	$ 3,945,296	$ 4,603,873	$ 5,506,961
3,896,099	6,120,414	4,442,313	3,577,673	3,625,033	5,648,061
16,893,494	16,233,023	20,139,058	16,908,410	14,181,432	16,345,010
$ 20,436,783	$ 23,119,635	$ 27,055,776	$ 24,431,379	$ 22,410,338	$ 27,500,032
$ 6,106,858	$ 6,744,936	$ 7,182,189	$ 7,613,307	$ 11,198,699	$ 11,391,963
-	-	-	-	-	-
(9,436,571)	(9,790,291)	(7,811,096)	(9,038,825)	(11,194,508)	(9,748,424)
$ (3,329,713)	$ (3,045,355)	$ (628,907)	$ (1,425,518)	$ 4,191	$ 1,643,539
$ 5,754,048	$ 7,511,134	$ 9,656,594	$ 11,558,603	$ 15,802,572	$ 16,898,924
3,896,099	6,120,414	4,442,313	3,577,673	3,625,033	5,648,061
7,456,923	6,442,732	12,327,962	7,869,585	2,986,924	6,596,586
$ 17,107,070	$ 20,074,280	$ 26,426,869	$ 23,005,861	$ 22,414,529	$ 29,143,571

COUNTY OF SHENANDOAH, VIRGINIA

Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	2008	2009	2010	2011
Expenses				
Governmental Activities:				
General government administration	$ 2,359,284	$ 2,817,148	$ 2,694,098	$ 2,402,794
Judicial administration	1,797,846	1,686,886	1,563,538	1,794,214
Public safety	10,872,246	11,121,538	11,327,324	11,247,826
Public works	6,661,832	5,686,960	3,669,994	4,836,959
Health and welfare	6,589,034	6,331,863	6,147,406	6,728,853
Education	22,671,491	27,122,413	24,147,779	24,476,243
Parks, recreation, and cultural	1,992,628	1,465,416	1,820,175	1,487,353
Community development	883,431	1,151,216	965,207	1,606,664
Interest on long-term debt	2,017,426	2,003,040	2,152,971	2,728,110
Total governmental activities expenses	$ 55,845,218	$ 59,386,480	$ 54,488,492	$ 57,309,016
Business-type Activities:				
Sanitary Districts	$ 2,439,706	$ 2,600,989	$ 2,354,749	$ 2,297,808
North Fork Wastewater	-	-	-	-
Landfill	-	-	-	-
Total business-type activities expenses	$ 2,439,706	$ 2,600,989	$ 2,354,749	$ 2,297,808
Total primary government expenses	$ 58,284,924	$ 61,987,469	$ 56,843,241	$ 59,606,824
Program Revenues				
Governmental Activities:				
Charges for services:				
General government administration	$ 524	$ 48,746	$ 23,382	$ 32,530
Judicial administration	308,142	315,354	269,943	292,908
Public safety	123,461	122,117	122,681	78,043
Public works	1,195,032	1,075,280	1,005,193	1,070,662
Health and welfare	-	-	-	-
Education	494,698	522,635	469,308	465,158
Parks, recreation, and cultural	320,960	357,904	534,855	481,901
Community development	477,440	353,584	340,486	330,143
Operating grants and contributions	8,803,623	9,364,373	8,116,656	8,500,571
Capital grants and contributions	-	-	-	3,996,634
Total governmental activities program revenues	$ 11,723,880	$ 12,159,993	$ 10,882,504	$ 15,248,550
Business-type Activities:				
Charges for services:				
Sanitary Districts	$ 1,414,774	$ 1,468,721	$ 1,446,521	$ 1,555,987
North Fork Wastewater	-	-	-	-
Landfill	-	-	-	-
Capital grants and contributions	563,500	307,694	175,383	239,000
Total business-type activities program revenues	$ 1,978,274	$ 1,776,415	$ 1,621,904	$ 1,794,987
Total primary government program revenues	$ 13,702,154	$ 13,936,408	$ 12,504,408	$ 17,043,537
Net (expense) / revenue				
Governmental Activities	$ (44,121,338)	$ (47,226,487)	$ (43,605,988)	$ (42,060,466)
Business-type Activities	(461,432)	(824,574)	(732,845)	(502,821)
Total primary government net expense	$ (44,582,770)	$ (48,051,061)	$ (44,338,833)	$ (42,563,287)

Fiscal Year					
2012	**2013**	**2014**	**2015**	**2016**	**2017**
$ 2,714,331	$ 2,463,006	$ 1,969,430	$ 2,668,706	$ 2,897,841	$ 2,844,200
1,908,573	1,982,483	2,073,679	2,083,473	2,042,118	2,214,773
11,627,376	13,053,085	13,932,695	12,701,606	14,947,334	15,601,779
1,840,310	1,414,273	1,228,217	1,677,832	1,147,692	1,203,056
7,462,916	6,971,130	6,420,661	6,513,167	7,143,608	8,038,337
25,310,174	24,661,559	25,808,176	27,252,564	28,333,067	27,662,686
1,528,660	1,426,020	1,548,584	1,589,374	1,666,378	1,977,186
745,870	892,852	1,086,801	732,115	1,491,749	1,099,573
2,845,792	2,639,028	2,285,296	2,187,944	2,037,564	1,879,970
$ 55,984,002	$ 55,503,436	$ 56,353,539	$ 57,406,781	$ 61,707,351	$ 62,521,560
$ 2,211,341	$ 2,249,735	$ 2,189,967	$ 2,199,988	$ 2,233,317	$ 2,050,702
169,990	209,261	177,751	256,978	272,530	265,486
2,768,790	2,833,612	409,841	2,726,110	4,063,526	2,802,246
$ 5,150,121	$ 5,292,608	$ 2,777,559	$ 5,183,076	$ 6,569,373	$ 5,118,434
$ 61,134,123	$ 60,796,044	$ 59,131,098	$ 62,589,857	$ 68,276,724	$ 67,639,994
$ 41,362	$ 7,903	$ -	$ -	$ -	$ 75,202
258,918	249,069	196,855	231,627	206,785	237,787
73,224	1,046,987	924,949	622,799	861,624	741,236
-	-	2,400	8,022	473	-
-	27,283	-	-	-	-
388,851	355,435	397,445	367,829	390,566	-
454,494	262,619	428,031	383,428	427,623	844,570
321,647	324,282	329,430	426,174	412,296	351,404
8,043,215	7,994,332	8,941,953	7,492,689	8,263,660	11,213,697
1,411,363	1,102,782	1,190,549	492,667	390,388	79,708
$ 10,993,074	$ 11,370,692	$ 12,411,612	$ 10,025,235	$ 10,953,415	$ 13,543,604
$ 1,534,485	$ 1,628,981	$ 1,650,491	$ 1,662,924	$ 1,823,913	$ 1,783,104
132,693	100,784	105,479	66,336	65,473	85,581
1,081,369	1,095,874	1,036,704	1,207,176	1,240,290	1,367,091
329,067	515,666	202,000	104,333	36,168	117,500
$ 3,077,614	$ 3,341,305	$ 2,994,674	$ 3,040,769	$ 3,165,844	$ 3,353,276
$ 14,070,688	$ 14,711,997	$ 15,406,286	$ 13,066,004	$ 14,119,259	$ 16,896,880
$ (44,990,928)	$ (44,132,744)	$ (43,941,927)	$ (47,381,546)	$ (50,753,936)	$ (48,977,956)
(2,072,507)	(1,951,303)	217,115	(2,142,307)	(3,403,529)	(1,765,158)
$ (47,063,435)	$ (46,084,047)	$ (43,724,812)	$ (49,523,853)	$ (54,157,465)	$ (50,743,114)

COUNTY OF SHENANDOAH, VIRGINIA

Changes in Net Position
Last Ten Fiscal Years (continued)
(accrual basis of accounting)

	2008	2009	2010	2011
General Revenues and Other Changes in Net Position				
Governmental Activities:				
Taxes				
Property taxes	$ 29,220,882	$ 30,598,287	$ 31,119,938	$ 31,699,815
Local sales and use taxes	3,238,398	3,313,542	2,909,578	3,048,872
Consumer utility taxes	477,500	322,715	325,862	298,353
Motor vehicle licenses taxes	552,815	795,000	815,279	857,901
Taxes on recordation and wills	2,100,986	1,960,982	1,995,591	1,994,437
Other local taxes	81,334	132,608	107,777	147,423
Unrestricted grants and contributions	4,626,255	3,876,482	3,842,578	3,791,210
Unrestricted revenues from use of money and property	776,679	326,895	121,661	133,941
Miscellaneous	324,047	302,129	455,690	2,816,283
Transfers	-	-	-	(343,777)
Total governmental activities	$ 41,398,896	$ 41,628,640	$ 41,693,954	$ 44,444,458
Business-type Activities:				
Property taxes	$ 505,237	$ 522,155	$ 541,459	$ 561,634
Unrestricted grants and contributions	8,852	-	-	-
Unrestricted revenues from use of money and property	106,304	39,957	21,019	19,004
Miscellaneous	105,760	116,020	114,601	139,622
Transfers	-	-	-	343,777
Total business-type activities	$ 726,153	$ 678,132	$ 677,079	$ 1,064,037
Total primary government	$ 42,125,049	$ 42,306,772	$ 42,371,033	$ 45,508,495
Change in Net Position				
Governmental Activities	$ (2,722,442)	$ (5,597,847)	$ (1,912,034)	$ 2,383,992
Business-type Activities	264,721	(146,442)	(55,766)	561,216
Total primary government	$ (2,457,721)	$ (5,744,289)	$ (1,967,800)	$ 2,945,208

Table 2

Fiscal Year					
2012	**2013**	**2014**	**2015**	**2016**	**2017**
$ 33,793,896	$ 35,569,694	$ 37,418,269	$ 39,124,452	$ 41,148,042	$ 42,461,477
3,168,917	3,224,641	3,207,116	3,262,733	3,246,390	3,536,415
1,962,053	1,943,136	1,994,637	1,955,209	1,881,288	1,937,678
826,120	825,623	830,861	864,693	871,892	871,435
258,430	347,126	304,745	291,431	347,726	410,384
164,242	154,857	160,650	166,728	176,892	168,394
3,959,108	3,874,170	4,066,927	4,036,318	4,092,036	4,146,519
258,340	130,565	360,343	452,848	422,388	569,096
1,237,842	2,705,887	1,106,265	771,242	782,381	1,323,671
7,002,886	(1,632,819)	(1,571,745)	(1,363,318)	(4,236,140)	(1,357,419)
$ 52,631,834	$ 47,142,880	$ 47,878,068	$ 49,562,336	$ 48,732,895	$ 54,067,650
$ 562,552	$ 592,586	$ 572,600	$ 569,402	$ 580,181	$ 560,226
-	-	-	-	-	-
23,331	10,256	6,084	2,685	5,783	12,389
89,893	-	48,904	59,139	11,134	8,040
(7,002,886)	1,632,819	1,571,745	1,363,318	4,236,140	1,357,419
$ (6,327,110)	$ 2,235,661	$ 2,199,333	$ 1,994,544	$ 4,833,238	$ 1,938,074
$ 46,304,724	$ 49,378,541	$ 50,077,401	$ 51,556,880	$ 53,566,133	$ 56,005,724
$ 7,640,906	$ 3,010,136	$ 3,936,141	$ 2,180,790	$ (2,021,041)	$ 5,089,694
(8,399,617)	284,358	2,416,448	(147,763)	1,429,709	172,916
$ (758,711)	$ 3,294,494	$ 6,352,589	$ 2,033,027	$ (591,332)	$ 5,262,610

COUNTY OF SHENANDOAH, VIRGINIA **Table 3**

Governmental Activities Tax Revenues by Source
Last Ten Fiscal Years
(accrual basis of accounting)

Fiscal Year	Property Tax	Local sales and use Tax	Consumer Utility Tax	Motor Vehicle License Tax	Record-ation and Wills Tax	Total
2008	$ 29,220,882	$ 3,238,398	$ 2,100,986	$ 552,815	$ 477,500	$ 35,590,581
2009	30,598,287	3,313,542	1,960,982	795,000	322,715	36,990,526
2010	31,119,938	2,909,578	1,995,591	815,279	325,862	37,166,248
2011	31,699,815	3,048,872	1,994,437	857,901	298,353	37,899,378
2012	33,793,896	3,168,917	1,962,053	826,120	258,430	40,009,416
2013	35,569,694	3,224,641	1,943,136	825,623	347,126	41,910,220
2014	37,418,269	3,207,116	1,994,637	830,861	304,745	43,755,628
2015	39,124,452	3,262,733	1,955,209	864,693	291,431	45,498,518
2016	41,148,042	3,246,390	1,881,288	871,892	347,726	47,495,338
2017	42,461,477	3,536,415	1,937,678	871,435	410,384	49,217,389

THIS PAGE LEFT BLANK INTENTIONALLY

COUNTY OF SHENANDOAH, VIRGINIA

Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2008	2009	2010	2011
General fund				
Reserved	$ -	$ -	$ -	$ -
Unreserved	16,823,568	11,621,797	10,747,591	-
Nonspendable	-	-	-	42,362
Restricted	-	-	-	4,372,985
Committed	-	-	-	-
Assigned	-	-	-	1,132,855
Unassigned	-	-	-	9,686,116
Total general fund	$ 16,823,568	$ 11,621,797	$ 10,747,591	$ 15,234,318
All other governmental funds				
Reserved				
Unreserved, reported in:				
Special revenue funds	$ 513,479	$ 641,844	$ 566,016	$ -
Capital projects funds	8,452,910	8,895,067	18,156,955	-
Debt service funds	-	-	-	-
Restricted, reported in:				
Capital projects funds	-	-	-	8,653,713
Committed, reported in:				
Landfill contingency	-	-	-	-
Assigned, reported in:				
Capital projects funds	-	-	-	6,918,627
Special revenue funds	-	-	-	576,406
Total all other governmental funds	$ 8,966,389	$ 9,536,911	$ 18,722,971	$ 16,148,746

Note: The County implemented GASB Statement 54 beginning with fiscal year 2011-see Note 1 in the Notes to Basic Financial Statements section of the report.

	Fiscal Year					
	2012	**2013**	**2014**	**2015**	**2016**	**2017**
$	-	$ -	$ -	$ -	$ -	$ -
	-	-	-	-	-	-
	88,905	16,995	39,075	70,758	45,765	42,998
	3,896,099	3,938,418	4,217,739	3,509,063	3,625,033	5,648,061
	5,035	-	-	-	-	-
	1,043,063	1,178,694	1,247,724	1,495,113	1,496,740	961,601
	9,655,914	10,497,972	12,772,653	13,577,568	10,656,213	12,871,656
$	14,689,016	$ 15,632,079	$ 18,277,191	$ 18,652,502	$ 15,823,751	$ 19,524,316
$	-	$ -	$ -	$ -	$ -	$ -
	-	-	-	-	-	-
	-	-	-	182,987	-	-
	2,505,751	1,788,689	224,574	68,610	-	-
	39,303	-	-	-	-	-
	8,046,955	8,780,403	8,192,892	7,937,178	7,863,564	8,104,694
	99,893	99,903	164,067	188,603	188,603	188,603
$	10,691,902	$ 10,668,995	$ 8,581,533	$ 8,377,378	$ 8,052,167	$ 8,293,297

COUNTY OF SHENANDOAH, VIRGINIA

Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2008	2009	2010	2011
Revenues				
General property taxes	$ 29,555,714	$ 30,532,857	$ 30,805,595	$ 31,744,361
Other local taxes	6,451,033	6,524,847	6,154,087	6,346,986
Permits, privilege fees and regulatory licenses	550,482	353,584	340,486	330,143
Fines and forfeitures	45,425	91,857	114,651	107,215
Revenue from use of money and property	776,679	326,895	121,661	133,941
Charges for services	2,423,291	2,350,179	2,310,711	2,313,987
Miscellaneous	345,555	302,129	455,690	2,334,514
Recovered costs	497,325	276,908	312,420	482,269
Intergovernmental:				
Commonwealth	10,647,989	10,031,639	10,126,436	10,387,854
Federal	2,185,623	3,209,216	1,832,798	5,900,561
Total revenues	$ 53,479,116	$ 54,000,111	$ 52,574,535	$ 60,081,831
Expenditures				
General government administration	$ 2,401,055	$ 2,853,762	$ 2,637,070	$ 2,228,906
Judicial administration	1,709,822	1,677,491	1,553,936	1,579,642
Public safety	11,211,113	10,726,741	10,965,435	10,781,294
Public works	3,598,286	2,920,804	2,686,143	2,983,349
Health and welfare	6,560,503	6,320,719	6,127,943	6,707,951
Education	19,535,900	23,088,598	21,303,551	21,197,950
Parks, recreation and cultural	1,553,319	1,717,606	1,780,076	1,469,314
Community development	878,681	860,309	965,488	930,856
Nondepartmental	59,500	35,596	196,308	15,159
Capital projects	4,016,683	4,021,266	7,338,539	10,764,620
Debt service:				
Principal	3,958,168	4,024,084	4,430,936	4,390,177
Interest and other fiscal charges	2,105,512	2,093,305	1,875,209	2,932,961
Bond issuance costs	-	-	-	-
Total expenditures	$ 57,588,542	$ 60,340,281	$ 61,860,634	$ 65,982,179
Excess (deficiency) of revenues over (under) expenditures	$ (4,109,426)	$ (6,340,170)	$ (9,286,099)	$ (5,900,348)
Other financing sources (uses)				
Transfers in	$ 6,266,659	$ 6,688,843	$ 6,078,976	$ 3,874,348
Transfers out	(6,266,659)	(6,688,843)	(6,078,976)	(3,874,348)
Refunding bonds issued	-	-	-	-
Bonds issued	2,329,416	1,356,931	15,760,000	7,435,000
Premium on bonds issued	-	-	723,003	-
Capital leases	1,643,027	351,990	452,301	377,850
Notes Payable	-	-	662,649	-
Total other financing sources (uses)	$ 3,972,443	$ 1,708,921	$ 17,597,953	$ 7,812,850
Net change in fund balances	$ (136,983)	$ (4,631,249)	$ 8,311,854	$ 1,912,502
Debt service as a percentage of noncapital expenditures	11.32%	10.86%	11.57%	13.26%

Table 5

Fiscal Year					
2012	**2013**	**2014**	**2015**	**2016**	**2017**
$ 33,009,862	$ 35,693,366	$ 37,482,790	$ 39,515,727	$ 40,894,148	$ 42,563,588
6,379,762	6,495,383	6,498,009	6,540,794	6,524,188	6,924,306
321,647	347,305	349,335	445,277	432,609	372,308
77,345	78,423	71,259	83,303	66,671	60,697
258,340	130,565	360,343	452,848	509,396	569,096
1,139,504	1,847,850	1,858,516	1,511,299	1,800,087	1,817,194
1,237,842	2,705,887	1,805,065	1,092,112	1,267,177	1,206,726
276,297	499,341	550,983	512,397	492,482	526,766
9,948,179	10,281,425	10,303,365	9,562,497	10,334,634	10,317,912
3,465,508	2,689,859	3,896,064	2,459,177	2,332,300	5,122,012
$ 56,114,286	$ 60,769,404	$ 63,175,729	$ 62,175,431	$ 64,653,692	$ 69,480,605
$ 2,435,352	$ 2,540,618	$ 2,463,728	$ 2,735,318	$ 2,861,575	$ 2,488,722
1,685,561	1,764,922	1,822,544	1,890,580	1,949,965	1,971,210
11,645,005	13,244,694	14,007,900	13,795,977	14,736,082	15,198,189
1,100,767	1,062,575	1,172,071	1,088,347	1,149,372	1,140,004
6,876,762	6,775,287	6,353,432	6,836,916	7,474,288	8,037,115
22,090,351	22,094,286	23,354,643	24,856,868	25,685,320	25,490,023
1,487,219	1,384,394	1,408,573	1,465,408	1,522,188	1,944,929
953,673	951,035	1,033,232	1,058,542	1,629,086	1,377,922
133,482	16,891	13,374	14,152	13,533	21,829
6,628,375	6,932,038	3,535,193	672,597	676,488	255,451
7,176,059	3,897,642	3,802,563	3,830,034	4,037,566	4,160,835
2,800,854	2,569,834	2,476,051	2,396,218	2,246,551	2,095,262
57,604	156,175	-	-	-	-
$ 65,071,064	$ 63,390,391	$ 61,443,304	$ 60,640,957	$ 63,982,014	$ 64,181,491
$ (8,956,778)	$ (2,620,987)	$ 1,732,425	$ 1,534,474	$ 671,678	$ 5,299,114
$ 5,861,710	$ 5,868,257	$ 5,833,132	$ 5,565,693	$ 5,235,600	$ 5,408,275
(7,192,458)	(7,501,076)	(7,404,877)	(6,929,011)	(9,471,740)	(6,765,694)
-	-	-	-	-	-
3,255,000	4,495,000	-	-	-	-
499,512	285,655	-	-	-	-
530,868	393,307	396,970	-	410,500	-
-	-	-	-	-	-
$ 2,954,632	$ 3,541,143	$ (1,174,775)	$ (1,363,318)	$ (3,825,640)	$ (1,357,419)
$ (6,002,146)	$ 920,156	$ 557,650	$ 171,156	$ (3,153,962)	$ 3,941,695
16.98%	11.84%	10.86%	10.55%	9.98%	9.83%

General Governmental Tax Revenues by Source
Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal Year	Property Tax	Local sales and use Tax	Consumer Utility Tax	Motor Vehicle License Tax	Recordation and Wills Tax	Total
2008	$ 29,555,714	$ 3,238,398	$ 1,368,894	$ 552,815	$ 477,500	$ 35,193,321
2009	30,532,857	3,313,542	1,243,628	795,000	322,715	36,207,742
2010	30,805,595	2,909,578	1,248,883	815,279	325,862	36,105,197
2011	31,744,361	3,048,872	1,994,437	857,901	298,353	37,943,924
2012	33,009,862	3,168,917	1,962,053	826,120	258,430	39,225,382
2013	35,693,366	3,224,641	1,943,136	825,623	347,126	42,033,892
2014	37,482,790	3,207,116	1,994,637	830,861	304,745	43,820,149
2015	39,515,727	3,262,733	1,955,209	864,693	291,431	45,889,793
2016	40,894,148	3,246,390	1,881,288	871,892	347,726	47,241,444
2017	42,563,588	3,536,415	1,937,678	871,435	410,384	49,319,500

THIS PAGE LEFT BLANK INTENTIONALLY

COUNTY OF SHENANDOAH, VIRGINIA

Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Estate (1)	Personal Property	Mobile Homes	Machinery and Tools	Merchants' Capital	Public Service (2)
2008	$ 3,841,542,450	$ 378,309,055	$ 5,539,784	$ 66,351,535	$ 43,652,302	$ 125,063,172
2009	3,921,886,100	372,121,056	5,469,665	60,505,707	48,726,763	122,679,339
2010	4,371,701,000	346,758,402	4,443,414	64,372,075	46,001,179	149,466,288
2011	4,403,310,900	357,328,471	4,360,059	78,202,016	44,439,756	200,723,875
2012	4,413,197,300	363,099,193	4,271,041	74,030,957	45,520,162	194,503,654
2013	4,441,341,600	367,548,462	4,141,738	75,260,772	46,502,386	194,991,068
2014	4,465,692,800	381,440,803	4,202,476	74,590,349	48,541,466	209,304,337
2015	4,479,926,100	393,610,302	4,298,296	70,749,206	47,243,710	222,281,742
2016	4,364,147,300	420,770,509	4,870,181	80,349,258	46,311,933	241,371,336
2017	4,383,540,000	431,716,486	4,964,567	96,057,176	53,095,887	254,718,911

Source: Commissioner of Revenue

(1) Real estate assessed at 100% of fair market value.
(2) Assessed values are established by the State Corporation Commission.
(3) Source: Virginia Department of Taxation.

Total Taxable Assessed Value	Estimated Actual Taxable Value	State Sales Assessment Ratio (3)	Total Direct Rate
$ 4,460,458,298	$ 5,680,665,178	78.52%	$ 7.34
4,531,388,630	5,115,011,435	88.59%	7.92
4,982,742,358	4,877,868,192	102.15%	7.84
5,088,365,077	5,202,827,277	97.80%	7.84
5,094,622,307	4,702,872,987	108.33%	7.92
5,129,786,026	4,735,332,803	108.33%	8.33
5,183,772,231	4,785,167,757	108.33%	8.39
5,218,109,356	4,910,237,467	106.27%	8.39
5,157,820,517	4,999,826,015	103.16%	8.55
5,224,093,027	5,195,001,021	100.56%	8.55

Property Tax Rates (1)
Direct and Overlapping Governments
Last Ten Fiscal Years

Fiscal Year	Direct Rates					
	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Merchants' Capital	Total Direct Rate
2008	$ 0.51	$ 2.86	$ 0.51	$ 2.86	$ 0.60	$ 7.34
2009	0.51	3.15	0.51	3.15	0.60	7.92
2010	0.47	3.15	0.47	3.15	0.60	7.84
2011	0.47	3.15	0.47	3.15	0.60	7.84
2012	0.51	3.15	0.51	3.15	0.60	7.92
2013	0.54	3.50	0.54	3.15	0.60	8.33
2014	0.57	3.50	0.57	3.15	0.60	8.39
2015	0.57	3.50	0.57	3.15	0.60	8.39
2016	0.60	3.60	0.60	3.15	0.60	8.55
2017	0.60	3.60	0.60	3.15	0.60	8.55

Source: County Commissioner of Revenue

(1) Per $100 of assessed value

Principal Property Taxpayers
Current Year and the Period Nine Years Prior

Taxpayer	Type Business	Fiscal Year 2017 2017 Assessed Valuation	Fiscal Year 2017 % of Total Assessed Valuation	Fiscal Year 2008 2008 Assessed Valuation	Fiscal Year 2008 % of Total Assessed Valuation
EIP 495 Radio Station Road LLC	Mfg	$ 20,428,900	0.41%	$ -	0.00%
Art Mortgage Borrower	Distribution	12,357,400	0.25%	13,795,500	0.32%
Schuller International Inc	Mfg	-	0.00%	9,929,900	0.23%
Howell Metal	Mfg	11,342,000	0.23%	10,273,600	0.24%
Bowman Andros Products	Mfg	9,741,800	0.20%	8,212,200	0.19%
Lowes Home Centers	Retail	9,308,000	0.19%	7,764,100	0.18%
Wal-Mart Real Estate	Retail	8,673,100	0.17%	7,303,100	0.17%
294 Front Royal LLC	Mfg	8,522,300	0.17%	9,163,000	0.21%
Valley Fertilizer and Chemical Co	Retail	8,409,800	0.17%	-	0.00%
Telesat Network Services	Communications	8,026,300	0.16%	8,939,600	0.21%
Masco Cabinetry	Mfg	7,068,600	0.14%	8,032,500	0.19%
Spectrum I Woodstock	Retail	-	0.00%	5,755,800	0.13%
		$ 103,878,200	2.09%	$ 89,169,300	2.07%

Source: Commissioner of Revenue

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax (1,3) Levy for Fiscal Year	Collected within the Fiscal Year of the Levy (1,3)		Collections in Subsequent Years (2)	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2008	$ 29,698,692	$ 28,304,547	95.31%	$ 1,376,287	$ 29,680,834	99.94%
2009	31,221,250	28,851,374	92.41%	2,348,161	31,199,535	99.93%
2010	31,762,302	28,815,151	90.72%	2,899,928	31,715,079	99.85%
2011	32,838,732	29,867,700	90.95%	2,886,633	32,754,333	99.74%
2012	35,018,934	33,281,231	95.04%	1,405,367	34,686,598	99.05%
2013	36,226,476	33,721,380	93.08%	2,083,616	35,804,996	98.84%
2014	39,644,404	37,448,266	94.46%	1,678,187	39,126,453	98.69%
2015	39,858,420	37,876,812	95.03%	1,347,524	39,224,336	98.41%
2016	41,321,753	39,421,018	95.40%	525,289	39,946,307	96.67%
2017	43,635,676	41,757,773	95.70%	-	41,757,773	95.70%

Source: Commissioner of Revenue, County Treasurer's office

(1) Exclusive of penalties and interest.
(2) Does not include land redemptions.
(3) Does not include PPTRA reimbursements from the Commonwealth of Virginia.

THIS PAGE LEFT BLANK INTENTIONALLY

COUNTY OF SHENANDOAH, VIRGINIA

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

	Governmental Activities				Business-type Activities	
Fiscal Year	General Obligation Bonds	Literary Fund Loans	Other Notes/ Bonds	Capital Leases	General Obligation Bonds	Notes Payable
2008	$ 33,403,293	$ 4,088,500	$ 4,179,796	$ 2,860,442	$ 2,838,236	$ 16,330
2009	31,999,361	3,774,000	4,044,912	2,341,443	2,591,701	11,721
2010	45,560,848	3,459,500	4,338,322	1,865,903	2,339,188	6,888
2011	50,367,176	3,145,000	3,972,674	1,060,237	2,284,811	1,379
2012	48,306,971	2,830,500	3,255,000	1,145,505	3,072,421	-
2013	45,442,086	2,516,000	7,595,000	1,131,300	2,802,329	-
2014	42,362,464	2,201,500	7,435,000	1,196,369	2,266,352	-
2015	39,210,472	1,887,000	7,265,000	863,395	1,906,076	-
2016	35,949,790	1,572,500	7,000,000	937,079	1,570,934	-
2017	32,565,081	1,258,000	6,720,000	616,021	1,341,214	-

Note: Details regarding the County's outstanding debt can be found in the notes to the financial statements.
(1) See the Schedule of Demographic and Economic Statistics - Table 14

Capital Leases	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
$ 97,343	$ 47,483,940	3.67%	$ 1,170
71,135	44,834,273	3.38%	1,094
53,284	57,623,933	4.34%	1,404
46,585	60,877,862	4.54%	1,450
4,301	58,614,698	4.24%	1,386
-	59,486,715	3.99%	1,397
-	55,461,685	3.58%	1,299
247,294	51,379,237	3.15%	1,194
187,007	47,217,310	2.85%	1,118
456,030	42,956,346	2.49%	995

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

Fiscal Year	Gross Bonded Debt	Less: Amounts Reserved for Debt Service	Net Bonded Debt (3)	Ratio of Net General Obligation Debt to Assessed Value (2)	Net Bonded Debt per Capita (1)
2008	$ 37,491,793	$ -	$ 37,491,793	0.84%	$ 924
2009	35,773,361	-	39,818,273	0.88%	972
2010	49,020,348	-	49,020,348	0.98%	1,195
2011	53,512,176	-	53,512,176	1.05%	1,274
2012	51,137,471	-	51,137,471	1.00%	1,209
2013	47,958,086	-	47,958,086	0.93%	1,126
2014	44,563,964	-	44,563,964	0.86%	1,044
2015	41,097,472	-	41,097,472	0.79%	955
2016	37,522,290	-	37,522,290	0.73%	889
2017	33,823,081	-	33,823,081	0.65%	783

(1) Population data can be found in the Schedule of Demographic and Economic Statistics - Table 14
(2) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property - Table 7
(3) Includes all long-term general obligation bonded debt, Literary Fund Loans, excludes revenue bonds, capital leases, and compensated absences.

Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Enterprise Fund Revenue Bonds					
	Water/Sewer/Refuse and Septage Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2008	$ 2,132,075	$ 2,040,483	$ 91,592	$ 267,462	$ 147,282	22.08%
2009	2,147,619	2,149,861	(2,242)	273,088	126,785	-0.56%
2010	2,121,710	1,925,427	196,283	284,415	116,742	48.93%
2011	2,276,247	1,863,237	413,010	264,005	102,950	112.55%
2012	3,424,323	4,594,573	(1,170,250)	249,378	85,698	-349.25%
2013	3,428,481	4,581,746	(1,153,265)	274,393	142,435	-276.68%
2014	3,420,262	2,680,364	739,898	535,977	97,195	116.86%
2015	3,567,662	5,103,920	(1,536,258)	360,276	78,771	-349.91%
2016	3,726,774	6,505,367	(2,778,593)	335,145	63,841	-696.41%
2017	3,235,776	5,065,643	(1,829,867)	290,957	52,791	-532.33%

Note: Water/Sewer, refuse disposal charges and other include property taxes and investment earnings but not capital contributions. FY 2012 was the first year the landfill fund was included in the business-type activiies.

COUNTY OF SHENANDOAH, VIRGINIA **Table 14**

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population	Personal Income	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
2008	40,589	$ 1,294,383,210	$ 31,890	40.9	6,244	4.70%
2009	40,984	1,326,652,080	32,370	40.9	6,184	8.30%
2010	41,036	1,328,335,320	32,370	40.9	6,106	8.30%
2011	41,993	1,340,290,581	31,917	42.2	6,094	7.00%
2012	42,289	1,380,820,428	32,652	43.5	6,076	6.60%
2013	42,583	1,491,086,328	35,016	43.7	6,069	6.20%
2014	42,684	1,550,624,352	36,328	43.8	6,115	5.60%
2015	43,021	1,630,323,816	37,896	44.0	5,696	4.70%
2016	42,228	1,659,180,348	39,291	44.1	5,913	4.30%
2017	43,175	1,724,409,500	39,940	44.5	5,991	3.70%

Sources: Weldon Cooper Center, Virginia Employment Commission, and Bureau of Economic Analysis

Principal Employers
Current Year and Nine Years Prior

	Fiscal Year 2017		Fiscal Year 2008	
Employer	**Employees**	**Rank**	**Employees**	**Rank**
Shenandoah County School Board	1000+	1	1000+	1
George's Chicken	500 to 999	2	500 to 999	2
Iac Strasburg LLC	500 to 999	3	500 to 999	4
Bowman Andros Products	500 to 999	4	100 to 249	-
LSC Communications US, LLC	250 to 499	5	500 to 999	-
County of Shenandoah	250 to 499	6	250 to 499	8
Valley Health System	250 to 499	7	250 to 499	5
Shentel Management Company	250 to 499	8	250 to 499	10
Wal Mart	250 to 499	9	250 to 499	9
Mercury Paper Inc.	250 to 499	10	-	-
Perry Judd's, Inc.	-	-	500 to 999	3
Merillat Corporation	-	-	250 to 499	6
Howell Metal Company	-	-	250 to 499	7

Source: Virginia Employment Commission

Note: The percentage of County employment that each employer provides is not available but will be included when available.

Full-time Equivalent County Government Employees by Function
Last Ten Fiscal Years

	Fiscal Year									
Function	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
General government administration	27	27	25	22	22	21	24	24	24	23
Judicial administration	22	20	21	21	19	15	19	19	19	20
Public safety:										
Sheriff's department	72	67	70	70	71	84	69	57	57	57
Fire and rescue	33	33	32	33	34	42	44	48	48	50
Building inspections	10	8	7	7	5	5	6	6	6	6
Animal control	2	2	2	2	2	2	2	2	2	2
Emergency communications	*	*	*	*	*	*	18	18	18	18
Public works:										
General maintenance	5	5	7	7	6	6	6	6	6	6
Landfill	21	20	20	20	22	19	17	17	17	17
Health and welfare:										
Department of social services	36	34	35	35	35	35	35	41	41	40
Culture and recreation:										
Parks and recreation	4	6	5	4	5	5	5	5	5	5
Library	7	7	5	6	6	6	6	6	7	8
Tourism	*	*	*	1	1	1	1	1	1	1
Community development:										
Planning	5	5	5	4	5	5	5	5	5	5
Totals	244	234	234	232	233	246	257	255	256	258

Source: Individual County departments

* Information unavailable

Operating Indicators by Function
Last Ten Fiscal Years

	Fiscal Year									
Function	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Public safety										
Sheriffs department:										
Physical arrests										
Traffic violations/arrests	2115	3222	2800	2200	2110	2070	2195	2138	2269	2017
Civil papers	9918	10479	9269	9163	12308	10500	12428	13141	11912	14055
Fire and rescue:										
Number of calls answered	6520	9967	9998	10303	13124	11150	5933	7232	7426	7469
Building inspections:										
Permits issued	113	120	127	88	90	78	82	99	89	115
Animal control:										
Number of calls answered	1933	2102	1636	1544	1729	1643	1847	1656	1548	1576
Public works										
Landfill:										
Refuse collected (tons/day)	148	135	130	133	116	117.02	132	138.5	148.3	162.2
Recycling (tons/day)	7.0	6.1	7.5	9.0	7.8	6.8	7.2	7.0	7.3	18.4
Health and welfare										
Department of Social Services:										
Caseload	4016	5141	5780	5998	5854	5753	10905	*	10935	11000
Culture and recreation										
Parks and recreation:										
Recreation facility permits	1300	1571	2059	1298	1291	1137	1853	1833	1743	1762
Youth sports participants	1827	1606	1430	1449	1209	1156	1013	1403	1512	1644
Community development										
Planning:										
Zoning permits issued	608	434	303	374	438	375	331	260	318	293
Component Unit - School Board										
Education:										
School age population	6224	6184	6106	6094	6076	6069	6115	5696	5913	5991
Number of teachers	512	529	501	496	523	520	521	522	529	530
Local expenditures per pupil	3486	3509	3433	3440	3557	3711	3832	4116	4414	4347

Source: Individual County departments

* Information unavailable

Capital Asset Statistics by Function
Last Ten Fiscal Years

	Fiscal Year									
Function	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
General government										
Administration buildings	1	1	1	1	1	1	1	1	1	1
Vehicles	4	4	2	2	2	2	2	3	3	5
Public safety										
Sheriffs department:										
Patrol units	49	50	50	47	46	51	56	56	56	56
Building inspections:										
Vehicles	6	5	5	5	4	4	4	4	4	4
Animal control:										
Vehicles	2	2	2	2	2	2	2	2	2	2
Public works										
General maintenance:										
Trucks/vehicles	4	6	6	6	6	6	6	6	7	7
Landfill:										
Vehicles	21	21	20	22	22	23	23	23	19	22
Equipment	16	16	16	16	18	21	21	21	18	20
Sites	14	15	15	15	15	15	16	16	16	15
Health and welfare										
Department of Social Services:										
Vehicles	10	10	10	10	10	12	12	12	12	13
Culture and recreation										
Parks and recreation:										
Community centers	1	1	1	1	1	1	1	1	1	1
Vehicles	6	6	5	5	5	4	4	4	4	4
Parks acreage	345	345	345	345	345	645	645	645	645	645
Tennis courts	2	2	2	2	2	2	2	2	2	2
Community development										
Planning:										
Vehicles	3	3	2	2	2	2	2	2	2	4
Component Unit - School Board										
Education:										
Schools	10	10	10	10	10	10	10	10	10	10
School buses	104	104	104	109	108	108	110	110	112	112

Source: Individual County departments

COMPLIANCE

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

TO THE HONORABLE MEMBERS
OF THE BOARD OF SUPERVISORS
COUNTY OF SHENANDOAH, VIRGINIA

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns,* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the County of Shenandoah, Virginia, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County of Shenandoah, Virginia's basic financial statements, and have issued our report thereon dated November 30, 2017.

Internal Control over Financial Reporting

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

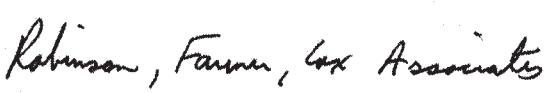
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 Shenandoah, 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.



Staunton, Virginia
November 30, 2017

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

TO THE HONORABLE MEMBERS
OF THE BOARD OF SUPERVISORS
COUNTY OF SHENANDOAH, VIRGINIA

Report on Compliance for Each Major Federal Program

We have audited County of Shenandoah, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of County of Shenandoah, Virginia's major federal programs for the year ended June 30, 2017. County of Shenandoah, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of County of Shenandoah, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about County of Shenandoah, 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 Shenandoah, Virginia's compliance.

Opinion on Each Major Federal Program

In our opinion, County of Shenandoah, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of County of Shenandoah, 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 Shenandoah, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of County of Shenandoah, Virginia's internal control over compliance.

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

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

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

Robinson, Farmer, Cox Associates

Staunton, Virginia
November 30, 2017

COUNTY OF SHENANDOAH, VIRGINIA

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

Federal Grantor/Pass - Through Grantor/ Program Title or Cluster title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
PRIMARY GOVERNMENT:			
Department of Agriculture:			
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	Unavailable	$ 348,859
Total Department of Agriculture			$ 348,859
Department of Health and Human Services:			
Pass Through Payments:			
Department of Social Services:			
Temporary Assistance for Needy Families	93.558	Unavailable	$ 245,863
Refugee and Entrant Assistance - State Administered Programs	93.566	Unavailable	92,221
Promoting Safe and Stable Families	93.556	Unavailable	15,211
Low-Income Home Energy Assistance	93.568	Unavailable	27,873
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	Unavailable	41,787
Foster Care - Title IV-E	93.658	Unavailable	245,635
Stephanie Tubbs Jones - Child Welfare Services Program	93.645	Unavailable	284
Chafee Foster Care Independence Program	93.674	Unavailable	1,790
Social Services Block Grant	93.667	Unavailable	183,472
Children's Health Insurance Program	93.767	Unavailable	14,534
Adoption Assistance	93.659	Unavailable	154,724
Medical Assistance Program	93.778	Unavailable	448,494
Total Department of Health and Human Services			$ 1,471,888
Department of Homeland Security:			
Pass Through Payments:			
Department of Emergency Management:			
Emergency Management Performance Grants	97.042	DEM6274500	$ 97,018
Total Department of Homeland Security			$ 97,018
Department of Justice:			
Pass Through Payments:			
Department of Criminal Justice Services:			
Local Law Enforcement Block Grant	16.000	Unavailable	$ 11,612
Crime Victim Assistance	16.575	15VAGX0043	70,619
Equitable Sharing Program	16.922	Unavailable	512,551
Bulletproof Vest Partnership Program	16.607	Unavailable	2,490
Total Department of Justice			$ 597,272

COUNTY OF SHENANDOAH, VIRGINIA

Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2017

Federal Grantor/Pass - Through Grantor/ Program Title or Cluster title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Transportation:			
Pass Through Payments:			
Department of Motor Vehicles:			
Alcohol Open Container Requirements	20.607	154AL-2017-57250-6899,154AL-2016-56163-6363	$ 25,597
Total Department of Transportation			$ 25,597
Total Expenditures of Federal Awards - Primary Government			$ 2,540,634
COMPONENT UNIT SCHOOL BOARD:			
Department of Agriculture:			
Pass Through Payments:			
Child Nutrition Cluster:			
Department of Education:			
School Breakfast Program	10.553	40253	$ 302,598
National School Lunch Program	10.555	40254	1,022,175
Department of Agriculture:			
Food Distribution-School Lunch	10.555	40.623	183,507
Subtotal CFDA 10.555			$ 1,205,682
Total Child Nutrition Cluster			$ 1,508,280
Schools and Roads - Grants to States	10.665	43841	13,261
Total Department of Agriculture			$ 1,521,541
Department of Education:			
Pass Through Payments:			
Title I Grants to Local Educational Agencies	84.010	42901	$ 1,234,253
Supporting Effective Instruction State Grant	84.367	61480	169,621
Special Education Cluster:			
Special Education - State Grants	84.027	43071	$ 1,282,843
Special Education - Preschool Grants	84.173	62521	46,308
Total Special Education Cluster:			$ 1,329,151
Career and Technical Education - Basic Grants to States	84.048	61095	96,614
English Language Acquisition State Grants	84.365	Unavailable	23,839
Advanced Placement Program	84.330	60957	456
Total Department of Education			$ 2,853,934
Total Expenditures of Federal Awards Component Unit School Board			$ 4,375,475
Total Expenditures of Federal Awards			$ 6,916,109

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

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Shenandoah, Virginia under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County of Shenandoah, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of Shenandoah, Virginia.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(2) County of Shenandoah, Virginia has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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

NOTE C - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2017, the County had food commodities totaling $81,989 in inventory.

NOTE D - Matching Costs
Matching costs, the nonfederal share of certain program costs, are not included in the Schedule.

NOTE E - Loans
County of Shenandoah had no federal loans required to be presented in the Schedule.

NOTE F - Subrecipients
No awards were passed through to subrecipients.

NOTE G-RELATIONSHIP TO FINANCIAL STATEMENTS
Federal expenditures, revenues, and capital contributions are reported in the County's basic financial statements as follows:

Intergovernmental federal revenues per the basic financial statements:		
Primary government:	$	5,122,012
Reconciling items:		
Expenditures with forfeited drug asset proceeds less than current year revenues		(2,384,887)
Payment in lieu of taxes not included above		(196,491)
Total primary government	$	2,540,634
Discretely presented component unit - School Board	$	4,375,475
Total discretely presented component unit - School Board	$	4,375,475
Total expenditures of federal awards per basic financial statements	$	6,916,109
Total expenditures of federal awards per the Schedule of Expenditures of Federal Awards	$	6,916,109

COUNTY OF SHENANDOAH, VIRGINIA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

Section I-Summary of Auditors' Results

Financial Statements	
Type of auditors' report issued	unmodified
Internal control over financial reporting:	
- Material weakness(es) identified?	___ yes _x_ no
- Significant deficiency(ies) identified?	___ yes _x_ none reported
Noncompliance material to financial statements noted?	___ yes _x_ no
Federal Awards	
Internal control over major programs:	
- Material weakness(es) identified?	___ yes _x_ no
- Significant deficiency(ies) identified?	___ yes _x_ none reported
Type of auditors' report issued on compliance for major programs:	unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	___ yes _x_ no

Identification of major programs:

CFDA Numbers	*Name of Federal Program or Cluster*
84.010	Title I Grants to Local Educational Agencies
16.922	Equitable Sharing Program
93.778	Medical Assistance Program
	Child Nutrition Cluster
10.553	School Breakfast Program
10.555	National School Lunch Program
10.555	Food Distribution

Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low-risk auditee?	x yes ___ no

Section II-Financial Statement Findings

None

Section III-Federal Award Findings and Questioned Costs

None

COUNTY OF SHENANDOAH, VIRGINIA
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2017

There are no prior year audit findings which have not been resolved.